



## OVERSEAS NEWS

FINAL PUSH TO ENSURE SUCCESS OF WASHINGTON SUMMIT

## Shultz, Shevardnadze tackle INF obstacles

BY WILLIAM DUFFLOR IN GENEVA

MR GEORGE SHULTZ, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, begin a final attempt in Geneva today to ensure that President Reagan's December 7 summit meeting with Mr Mikhail Gorbachev in Washington turns out to be a success and not a failure.

Their most urgent task is to remove outstanding obstacles to an agreement on intermediate range nuclear forces (INF) which has been over two years in the making and is due to be signed at the summit.

Mr Yuri Vorontsov, the Soviet deputy foreign minister, and Mr Max Kampelman, the chief US arms negotiator, failed to reconcile these differences last week.

On arrival in Geneva yesterday afternoon, Mr Shevardnadze said the talks represented the most crucial stage of preparation for the summit.

He expected the work on the INF agreement to be completed, but he warned, some difficult and very sensitive questions remained to be settled.

These related to "the territories of the US and the Soviet Union" and to the involvement of third countries, Mr Shevardnadze said.

His remarks clearly referred to the core problem of verification and to US demands to have written into the treaty the right to inspect on challenge sites at which one side suspected the other was cheating.

Mr Shevardnadze's reference to third countries reflects a Soviet demand that it be allowed inspection rights at bases in Europe, where US missiles have been deployed, for several years after they have been removed.



Shultz: urgent task

Meeting for the fourth time in three months, Mr Shultz and Mr Shevardnadze face an intensive two-day schedule. They will have working lunches and dinners and, if necessary, will break

fast together on Wednesday before leaving Geneva, a US official said.

In addition to tackling the last-minute hitches over the arms agreement, they will try to put together for the summit an agenda covering the situation in the Gulf, the withdrawal of Soviet troops from Afghanistan, and human rights issues.

Diplomats in Geneva do not believe the outcome is certain, despite the obvious strong desire in both administrations for a successful summit. However, officials in Washington have gone out of their way to deny suggestions that the summit is in any way in danger.

President Reagan can only accept an INF treaty that is tight enough against cheating so as to satisfy US senators who have promised to go through it with a

fine toothcomb. Mr Gorbachev similarly has to be able to convince his military leaders and possibly critics within the Politburo.

Both US and Soviet officials continue to stress that progress towards a final INF agreement, abolishing all nuclear missiles in the 500-5,000 kms range, is steadily being made. The regular negotiations in Geneva worked on the 180-page text through the weekend.

A political impetus is still needed, however, to settle the key verification issues. A reported Soviet concession that would allow the US to monitor the exits to a plant assembling long-range SS20 missiles with first-stage identical to those of the medium-range SS20s does not eliminate the issue of how to deal with suspected sites.

## Honecker to visit Paris

EAST GERMANY'S President, Mr Erich Honecker, is to pay a landmark visit to France next January, the first ever by an East German leader to one of the three Western allies responsible for Berlin.

Mr Honecker has long sought to visit Paris, London and Washington in order to demonstrate that his country is fully accepted by the West. The visit to Paris was made possible when Mr Laurent Fabius, the then French Premier, visited East Berlin in 1985.

Along with Britain and the US, France has exercised sovereign rights in West Berlin since 1945. The French Government, along with the other allies, refuses to recognise East Berlin as the capital of East Germany.

Neither the British Prime Minister nor the US President has yet visited East Berlin, although Sir Geoffrey Howe, the UK Foreign Secretary, paid an official visit in 1985 which was returned last year by Mr Oskar Fischer, East Germany's Foreign Minister.

The US Deputy Secretary of State, Mr John Whitehead, held talks in East Berlin with Mr Honecker earlier this month.

## Trade picture 'is deteriorating' Eastern European foreign debt is rising, says OECD

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

IN 1984, the countries of Eastern Europe were running their largest ever trade surplus with the West and reduced their hard currency debt for the third successive year.

Three years later, according to documents prepared by the staff of the Organisation for Economic Co-operation and Development, their foreign debt is rising sharply and the trade picture is deteriorating.

The improvement (evident in 1984) in their external position was only temporary and had no valid foundation, concludes one of the confidential documents, prepared for meetings of OECD experts last week.

This underlines, it says, the need for radical solutions to achieve a lasting improvement in the economies. It agrees that the restructuring under way, particularly in the Soviet Union, is right to focus on the domestic economy and not simply on foreign trade, "especially in the light of the mixed results of the policy of large-scale imports followed by some Eastern European countries since the 1970s".

The report comments that this year, "there appears to be a continuation of the basic trend of a weakened trade balance for Eastern Europe. In addition, with a rising local and

The Soviet Union "will have a basically strong debt position" but "the likelihood is that the country's debt burden will rise over the medium-term and the Soviet Union will become a moderately indebted country".

Poland's debt burden remains extremely high. Private banks have been receiving full interest payments from Poland, but interest on official credits has not been paid in full since 1982. The Poles are seeking a rescheduling of official debts through the Paris Club, similar to that it has arranged with banks, but are also seeking new official credits.

A general improvement of political relations with governments has occurred. Some (OECD) governments are now willing to discuss new credits if the record of Polish payments on outstanding credits improves.

Hungary's debt "continues to rise to unprecedented levels and the country could find itself in a serious problem in the next few years unless a determined effort is made to reverse this downward trend". It is the only country finding resistance in international financial markets and, partly as a result, East Germany said in October it would guarantee a Hungarian borrowing in the "near future".

Bulgaria's debt situation "has worsened appreciably" with gross debt more than doubling between 1984 and 1986. Reserves have also fallen considerably, due in large part to the country's dependence for hard currency earnings on a small group of oil exporting countries - Libya, Iraq and Iran.

Czechoslovakia and Czechoslovakia both showed clear deterioration in their debt position in 1986, and debt is on a rising trend, although neither country appears to be in danger of an imminent financial problem.

Romania is the only country that continues to reduce its debt, but at considerable costs in import cuts and severe hardship to the population. "Due to irremediable economic management, the country is viewed badly by the international financial community, despite its impressive record of debt repayment".

Soviet exports to the developed world fell 18 per cent in dollar terms in 1986, mainly because of oil, which accounted for 42 per cent of exports in 1986 compared with 63 per cent in 1984. Its trade deficit widened to \$2,630m from \$840m in 1985. Exports of machinery and equipment - excluding arms - were up 48 per cent in dollar terms in 1986, but still accounted for only 3.4 per cent of Soviet exports to the West.

However, the Soviet Union increased arms sales to the Third World by almost 50 per cent in 1986. The return as perhaps the last chance to free El Salvador from its growing political polarization and its deadlocked war.

East European Hard Currency Debt (\$bn)

	1981	1982	1983	1984	1985	1986
Bulgaria	3,162	2,977	2,482	2,165	3,640	5,606
Czechoslovakia	4,598	3,998	3,612	3,135	3,511	4,254
East Germany	15,425	12,998	12,191	11,332	13,563	16,601
Hungary	8,659	7,982	12,250	9,836	11,745	18,286
Poland	25,468	24,789	26,440	26,800	27,700	33,526
Romania	10,199	9,765	8,880	7,198	6,634	6,395
Soviet Union	26,254	26,737	23,587	22,513	28,445	34,003
Total	94,043	89,128	85,442	81,917	97,258	115,471

Source: OECD Monitoring

## Exiled left-wing leader flies back to El Salvador

BY PETER FORD IN SAN SALVADOR

A SALVADOREAN left-wing opposition leader, Mr Ruben Zamora, returned home from seven years of exile on Saturday, promising to help seek a negotiated solution to El Salvador's civil war.

"Our aim is to achieve peace through the path of politics and dialogue," said Mr Zamora, whose Democratic Revolutionary Front (FDR) is allied with the FMLN guerrilla forces. Central America's new peace plan, he added, "is a very good framework for the goals for which we are struggling".

Mr Zamora, 46, who is due to be joined on Monday by the FDR's president, Mr Guillermo Ungo, is running a severe personal risk in his efforts to build a left-wing political organisation in El Salvador. The extreme right-wing death squad, whose threats forced him to flee in 1980, are less active today, but still strike at will.

A dissident Christian Democrat, he has allied himself with two Social Democratic parties to form the Democratic Convergence, the first attempt at an above-ground left-of-centre movement since the war broke out. Many of the conflict's 60,000 victims have been civilians suspected of left-wing sympathies, killed by death squads widely believed to be linked to government security forces.

But Mr Zamora has refused to dissociate himself entirely from the FMLN, the Farabundo Martí Liberation Front, as President Napoleon Duarte has demanded.

"Our presence here does not call into question the political alliances our parties have formed," Mr Zamora told reporters on his arrival. That stance has aroused the ire of conservative political parties here, who charge him with being a Trojan horse for the FMLN guerrillas. "They are aware they cannot win militarily, so while the FMLN continues the war, the FDR is entering the political sphere to create more problems for El Salvador," argues Major Roberto D'Auburn, a leading right-wing politician.

More moderate observers, however, including some in the ruling Christian Democratic Party, see the FDR's return as perhaps the last chance to free El Salvador from its growing political polarization and its deadlocked war.

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## OVERSEAS NEWS

With the ink barely dry on the accord, doubts are already surfacing about what it is likely to achieve, writes Stewart Fleming

## Now the US faces the real problem - making the budget deal stick

CEREMONIAL occasions are normally tailor-made for President Ronald Reagan. But the performance at the White House on Friday afternoon at which Mr Reagan and the Democratic leadership of Congress announced they had reached agreement on a two-year, \$75bn package to reduce the federal budget deficit was one he would rather have been able to avoid.

It was not just that Mr Reagan was finally forced to validate Mr Walter Mondale's prediction in the 1984 presidential election campaign that, if elected, "Mr Reagan will raise taxes and so will I. He won't tell you, I just did."

By putting his imprimatur on the budget accord, he has once again infuriated the right wing of the Republican party and deepened division within Republican ranks, something which may help to explain why the two Republican leaders on the podium at the White House on Friday looked grim and never said a word.

The fact that, as part of the necessary symbolism surrounding the announcement, the President was having to share the stage with, and enhance the stature of, a smiling Mr Jim Wright, the Democratic Speaker of the House, can only have made the occasion that much more painful.

Mr Wright, after all, can barely disguise his contempt for the President's abilities and policies. Most troubling, however, to the President and his advisers is the question of what purpose is served by the enduring of such public indignities. For it is far

from clear that the budget agreement reached after four grueling weeks of negotiation on Capitol Hill will fulfil the objectives for which it was designed. Induced by the stock market crash of October 19, these were essentially two-fold:

• to provide at least a symbolic demonstration that the White House and Congress, Republicans and Democrats, could work constructively together at a time

when the markets were crying out for leadership in Washington; and

• to avoid triggering the automatic reduction in the deficit due to take effect on November 20 under the revised Gramm-Rudman-Hollings law. It was feared that relying on this process would be interpreted instead as further evidence of the inability of Washington's politicians to make the necessary, if hard, spending and tax choices.

Yet doubts do persist. One reason is that it is far from clear, first, whether the agreement announced on Friday will indeed be implemented, and highly unlikely, even if it is, that the budget deficit in the 1988 fiscal year will be less than the \$148bn recorded in 1987.

The package, for example, provides for some \$9bn of what are called "hard taxes" to reduce the 1988 deficit. But, as drawn Mr James Baker, the US Treasury Secretary, said on Friday, what has been agreed in the four weeks of meetings is not what taxes should be raised, but what taxes cannot be - namely, the delays of the marginal rate

Even on the official figures put out by the Congressional Budget Office last week, which project a budget deficit of \$180bn for 1988, the agreement will only reduce the nominal deficit to \$150bn-\$160bn in 1988. This assumes of course that the economy does indeed grow at the real annual rate of more than 3 per cent on which these assumptions are based. Most economists are predicting much slower

reductions in tax reform, no delays of indexing, no broad based value added tax or sales tax.

What happens now is that the Congressional committees which are responsible for writing tax legislation on Capitol Hill will go back to work and try to draw up, and get passed, a compromise tax package the elements of which will almost certainly be based on the tax bills that the House Ways and Means and Senate Finance Committees have already approved or drafted.

Raising taxes being the painful process it is, there will be plenty of scope for argument and disagreement within the committees and with the White House. Among the measures most likely to gain approval are an extension of the expiring 3 per cent excise tax on telephone charges, which would raise \$1.5bn. Also under consideration are changes to tighten up corporate accounting rules and to limit mortgage interest deductions for the wealthiest taxpayers.

Congress will also have to draft legislation to implement the proposed \$11.5bn of spending cuts proposed for 1988, just under half of which will come out of the defence budget.

Congressional budget experts say that the defence cuts could be reached quite quickly, although not without controversy. Liberal Democrats, in particular, are saying that the package, which leaves a projected defence budget of \$285bn in 1988, up from the \$280bn in 1987, does not hit the Pentagon hard enough.

Conversely, conservative Republicans are deeply sceptical that the spending committees will, in the crunch, actually produce the required savings. There are, for example, suggestions that a significant chunk of the savings could come from a foreign aid budget which has already been cut sharply to the dismay of Mr George Shultz, the Secretary of State, especially in the House. In particular, Republicans are furious that Mr Reagan has surrendered on taxes. Not least because it means that the Democrats are now in a position to rebut the politically damaging charge that they, and they alone, are the party of "tax and spend."

Republicans are expected to desert the party leadership in droves in the House, which will make it harder for the Democrats to approve the package, for they, too, are bound to suffer defections.

In all likelihood, negotiation over the details of the package will not be completed before December 16, at the earliest. This date is itself another product of the Gramm-Rudman law, signed by the President on Friday, which allows Congress a cushion of 10 working days to modify the mandated cuts before actual "sequestration" takes effect. This week's Thanksgiving break thus gives Congress until December 16 to pass the new budget agreement and avoid the Gramm-Rudman axe.

Some in Congress are saying even now that it would be better to let Gramm-Rudman take effect because there would be no tax increases and the actual spending cuts would be greater. The White House counter is that

the budget agreement is a two-year accord, not a one-year sequestration. This last process would, in any case, hit certain areas so hard as to invite the possibility of new supplemental bills later, thus negating any savings.

The fact that the political momentum for a budget deal which existed at the time of the stock market crash last month has dissipated in the weeks that have followed, has already made it hard to sustain the argument that Friday's announcement was a demonstration of Washington's ability to act in a convincing, bipartisan manner.

What started as a confidence building exercise became an anxiety building exercise, is the view expressed on Friday by one leading Democrat in Washington.

PROPOSED BUDGET COMPROMISE		
	FISCAL 1988 (\$bn)	FISCAL 1989 (\$bn)
<b>REVENUES</b>		
Hard taxes	9.00	14.00
IRS compliance (net)	1.50	2.50
User fees	0.40	0.40
Subtotal	11.00	17.00
<b>SPENDING</b>		
Defence	5.00	5.20
Non-defence discretionary	2.50	3.40
1988 effect of 1986 2% pay	0.50	2.50
Medicare	2.50	2.50
Farm price supports	0.50	0.50
Federal personnel	0.25	0.25
Other	0.25	0.00
Subtotal (entitlements)	4.00	5.85
Debt service	1.20	2.50
Subtotal (spending)	12.50	25.45
<b>ADDITIONAL SAVINGS</b>		
Asset sales	5.00	3.50
Other	1.50	1.50
Subtotal	6.50	5.00
<b>TOTAL</b>	<b>30.50</b>	<b>45.55</b>

Waiting in the wings, in any case, is the octogenarian Democratic Congressman, Mr Claude Pepper, chairman of the House Rules Committee, which determines what legislation can go to the House floor, and a powerful advocate of the cause of the aged. Thus, apart from some modest (\$2bn) trimming of medicare and farm and student loan programmes, so-called middle class entitlements have escaped largely unscathed, weakening both the long term significance of the accord as a deficit reduction measure and its immediate impact as a manifestation of political determination.

What has emerged, therefore, is a package which, in fiscal terms, represents the minimum necessary to avoid the Gramm-Rudman sequestration process. In political terms, however, it looks more like business as usual, hardly surprising given the imminence of the election season.

In any case, public opinion polls show that although Americans agree that the deficit is a real problem, they like proposed remedies, such as tax increases or deep spending cuts, even less. Still lacking is any foundation for a more serious attack on the deficit when a new President takes office in January, 1989.

### Japan expects pressure to cut interest rates

BY IAN RODGER IN TOKYO

THE Japanese Government expects to come under renewed pressure to reduce its interest rates in the wake of the agreement reached in Washington to reduce the US federal budget deficit.

Officials of both the Bank of Japan and the Ministry of Finance had been careful not to rule out any further reduction in the country's official discount rate, now 2½ per cent, once a US budget decision was reached.

However, they emphasised there were no plans at the moment to take any further fiscal or monetary measures to stimulate the economy, and they

hope it will not be necessary. Mr Kiichi Miyazawa, Finance Minister, said at the weekend that he hoped the US budget agreement would have a favourable impact on the foreign exchange and capital markets.

He said Japan would continue to take appropriate policy measures in line with the Louvre Accord of last February for stabilising exchange rates and co-ordinating economic policies with other leading industrialised countries.

He also pointed out that Japan had made a major effort to expand its domestic demand



Miyazawa

### Paris relief tempered by sense of uncertainty

BY PAUL BETTS IN PARIS

THERE was a sense of relief in Paris at the weekend following the agreement in Washington over the US budget deficit. But the mood was hardly one of celebration.

Paris remains highly apprehensive over the economic situation in general and all eyes at the weekend were fixed on the reaction of the financial markets to the latest US agreement.

The bourse ended on an uncertain note last week with the stock market index shedding 1.5 per cent on Fri-

day before news of the agreement reached Paris.

The general mood of uncertainty was underlined by the lack of any official reaction on the part of the French Government and leading economic operators. Before the agreement was announced, Mr Edouard Balladur, the Finance and Economy Minister, in a French newspaper interview again urged the US and West Germany to make efforts to help resolve the current financial turmoil.



Balladur

### Stoltenberg finds deal 'effective and credible'

BY HANS SIMONIAN IN FRANKFURT

POLITICIANS IN Bonn reacted positively at the weekend to news of the US budget deficit deal.

The agreement is "effective and credible", said Mr Gerhard Stoltenberg, the federal Finance Minister, and would contribute to restored stability on international share and foreign exchange markets.

The accord was "an important contribution to the continuation and renewal of international co-operation after the Louvre agreement", he added. European countries would now have to see "what contribution they could

make themselves."

However, Mr Manfred Carstens, the budget spokesman in the Bundestag for the CDU-CSU, the main partner in the ruling coalition, yesterday ruled out further fiscal measures to stimulate the West German economy.

The budget deficit of almost DM30bn (\$10bn) in 1988 represented "the limits of the possible", he said. Nevertheless, echoing recent hints by Mr Stoltenberg, he appeared to accept that the Government might tolerate a higher deficit should tax returns be lower than expected.

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## OVERSEAS NEWS

### US says Iran preparing new assault against Iraq

BY ANDREW COWERS IN WASHINGTON

THE US expects Iran to launch a fresh offensive on its southern battlefield with Iraq, perhaps within the next six weeks, bringing sharply into focus once again the lack of progress in United Nations efforts to end the war.

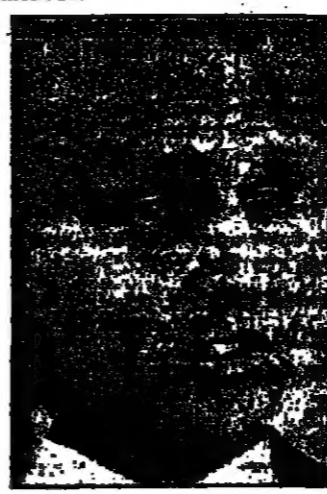
Mr Richard Armitage, Assistant Secretary of Defence, said at the weekend that such an offensive may be launched in January.

Officials said there had been signs of preparation over the last four weeks, with volunteer forces mustering in Tehran and provincial capitals and movement around the southern city of Ahwaz. Iran's Supreme Defence Council has already sought to rally the country for a big push against Iraq.

Although some officials say Iran appears better equipped in such fields as artillery than it was in 1986 when preparing a similar offensive, Mr Armitage insisted that Tehran's chances of a breakthrough were "less than 25 per cent."

Many observers believe that at the beginning of 1987 Iranian forces came perilously close to penetrating Iraqi defences around the southern port of Basra.

US and other opinion is divided over the implications of the possible preparations for a fresh offensive. Administration officials say it demonstrates conclusively that Iran has no intention of complying with a four-



Richard Armitage

month-old call by the UN Security Council for a ceasefire in the Gulf war and that the Council should therefore move swiftly to pass a second resolution ordering an arms embargo against Tehran.

However, other analysts believe that a new Iranian offensive would not be particularly significant and that Tehran is still interested in negotiations. Mr Gary Sick, a leading US expert on Iran, told a conference on the Middle East last week in Atlanta: "The Iranians have decided that the war is not working the way they want. They are

looking for a face-saving way out."

He suggested that Mr Javier Perez de Cuellar, the UN Secretary-General, appoint a special envoy to shuttle back and forth between Tehran and Baghdad.

Mr Perez de Cuellar is still trying to mediate, but his task has not been made any easier by an apparent hardening of the positions on both sides in the last few weeks. In written replies to the UN's ceasefire call three weeks ago, both Tehran and Baghdad appeared to back-pedal on earlier signs of flexibility. Iran insisted that UN resolution 596 be implemented in strict sequence, with a full ceasefire and withdrawal before any consideration of an inquiry into the origins of the war as demanded by Iraq.

In its reply, Tehran raised the question of war reparations by Iraq (rather than other Gulf Arab states) and said that withdrawal to pre-war borders could not easily take place because there had been no international-ly-recognised frontiers since Iraq tore up its 1975 Algiers agreement with Iran - one of the original causes of the war.

However, the optimists are encouraged by the fact that both sides are still showing more flexibility in private discussions with Mr Perez de Cuellar. They include the Soviet Union, which, along with China, is still hesitating about an arms embargo.

### SHIPPING REPORT

## Dollar fall benefits charterers

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE QUEUE of very large crude carriers (VLCCs) waiting to load in the Middle East Gulf was drastically reduced last week as charterers took advantage of the weaker dollar and lower oil prices.

Brokers said rising inventory levels could put a brake on chartering business. They suggested, however, that delegates to the forthcoming conference of the Organisation of Petroleum Exporting Countries (Opec) would face difficulties in raising or even maintaining oil prices in the short term.

E.A. Gibson, the London broker, said Western charterers were concentrating on November positions from the Gulf, while Japanese charterers were fixing up to a month ahead.

About half a dozen VLCCs remained available for fixing up to the end of the month. Rate levels were said to have settled at around Worldscale 45 for Western discharge, plus five points for Japan and a further five points for the shorter haul to the Red Sea.

There was less demand for smaller ships, and a US major was said to have covered its 105,000-ton cargo to Singapore at Worldscale 85.

Business was brisk in West Africa, where demand was said to be very healthy, particularly for vessels capable of carrying 1m barrels of oil.

Brokers said most of the fixtures concluded in this area were private, but a London major was said to have covered its 122,500-ton cargo at Westscale 70 for discharge in the UK, or Worldscale 70 for US Gulf discharge.

Demand was sporadic in the Mediterranean, where most inquiries were for ships of between 80,000 and 85,000 dwt.

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### Sri Lankan ceasefire in balance

BY JOHN ELLIOTT IN NEW DELHI

THE 48-hour ceasefire in hostilities between Indian armed forces and Tamil Tiger extremists in the north of Sri Lanka hangs in the balance this morning after a decision by India last night to reject conditions proposed by the Tigers for laying down their arms.

The ceasefire was introduced unilaterally by India for 48 hours from Saturday morning in an attempt to establish a basis for ending its six-week-old military action against the Tigers, in which more than 280 Indian troops have died.

Over the weekend, Mr Gopalasamy Mahendran, alias Mahatma, deputy leader of the Tigers, sent pre-conditions to Indian army commanders in Sri Lanka for surrendering Tiger weapons.

These included Indian troops returning to positions they held on October 10 before the hostilities began.

The Government last night rejected the pre-conditions, which he said would have given the Tigers freedom "to go on the rampage again in Jaffna and in the eastern province to massacre fellow Tamils and members belonging to the Sinhalese and Muslim communities."

The ceasefire is reported to have been implemented by both sides during the weekend, but there is now a risk that hostilities could resume after 7 am today when the 48 hours expires because India has not yet officially introduced an extension.

The possibility of Mr Velupillai Prabhakaran, the Tiger leader, visiting India for talks is believed to have been discussed, but no decision has been reached.

The Government last night claimed that more than 100 Tigers wounded in action with Indian troops had been forced by their leaders to commit suicide with cyanide pills.

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### Caracas opposition chooses candidate

BY JOE MANN IN CARACAS

VENEZUELA'S opposition Christian Democrat Copei Party has chosen Mr Eduardo Fernandez, a 47-year-old lawyer and party leader, to be its presidential candidate in next year's national elections.

Mr Fernandez, currently Secretary General of Copei, won the candidacy in a party congress in Caracas, where he obtained 67.4 per cent of votes cast by over 8,900 delegates. He defeated two contenders: former President Rafael Caldera, aged 71, with 24 per cent of the votes, and Senator Pablo Aguirre, a party leader in his 50s, who obtained just under 8 per cent.

The Christian Democrat candidate is the younger of the two presidential contenders representing Venezuela's major political parties. He has offered Venezuelans "a new democracy" and has made special appeals to young voters.

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### Syrians 'beat up Beirut students'

By Hans Bannister in Beirut

SYRIAN soldiers in charge of security at the tightly guarded American University of Beirut beat up students on campus and inside a men's dormitory in reaction to a protest at strict regulations governing passage in and out of the university grounds, police and university sources said yesterday.

Students said seven out of 37 residents of the Fenwick men's dormitories were taken to hospital after Syrian soldiers had thrashed them with rifle butts. Some students suffered broken ribs, one had his ear mauled and two had deep gashes in their necks.

Classes were suspended yesterday by students who staged a sit-in at the main gate of the institution, defying Syrian troops.

Syrian soldiers protecting the university clamped down on the Abdel Aziz quarter in West Beirut after explosives concealed in a chocolate box and carried by a woman visitor devastated a section of the American University hospital lobby, killing seven and maiming 31.

Access gates from the dormitory to the campus have been locked, necessitating a walk around the sprawling grounds to get in or out of classes.

A joint force of Lebanese police and Syrian soldiers have been assigned to the task of safeguarding the institution which has 8,700 students. Some 7,000 Syrian troops were deployed in West Beirut last February to quell militia anarchy and help police the Moslem-dominated sector of the Lebanese capital.

A statement issued by the university board of deans said the incidents were triggered by dissatisfaction over recent security measures enforced on campus following the explosion and called on students to exercise maximum tolerance during these critical times.

Students sleeping at the dormitories come from various areas of Lebanon and from all religious sects.

### Soweto council offices wrecked

By Jim Jones in Johannesburg

A BOMB explosion caused extensive damage to municipal offices in the black township of Soweto on Saturday morning. Police said the device was a limpet mine.

Another unexploded device was found by bomb squad personnel.

The explosion follows a week of attempts by Soweto's municipal authorities to end a rent boycott by residents of the sprawling township.

Last week municipal officials backed by police and army units served hundreds of defaulting residents with eviction notices.

The rent boycott in Soweto and other black townships has been in operation for about 17 months in protest against living conditions in black areas and against municipal councils whom the protesters say are implementing the Government's apartheid policies.

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## OVERSEAS NEWS

## US sanctions likely over meat ban

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE US is expected shortly to announce trade sanctions against the European Community in retaliation for a plan to ban the use of hormones in meat, regardless of last week's Brussels decision to delay the impact of the ban for a further year.

However, once announced and subjected to public vetting, the sanctions would be quickly suspended for the duration of the transitional period, which lasts until January 1, 1989.

The announcement would underline the view of the Reagan Administration that the delay in the ban does not solve the dispute, which arose when US meat producers complained they would lose more than \$180m in sales of meat to Europe under the ban.

far as third country exporters are concerned.

Amid signs that US Congressmen are retreating from extreme forms of protectionism in the wake of the stock market crash, hopes are growing in Washington that the controversial and unwieldy trade bill may be dropped in favour of a simpler piece of legislation.

However, the outcome remains uncertain and with debate at a sensitive stage the Administration is reluctant to let go of its tough trade policies.

## Canon, Ferranti reach semiconductor accord

BY TERRY DOOSWORTH

CANON, Japanese camera and office equipment group, has reached agreement with Ferranti of the UK on the supply of a new range of high-speed semiconductor for its next generation of facsimile machines.

The deal reflects recent efforts by the Japanese company to expand its purchases and manufacturing operations in Europe, where it has been under fire on anti-dumping grounds. It is likely to be followed by a further link with a British group to supply software for Canon's office or medical equipment activities.

## Spanish union elects leader after infighting

BY DAVID WHITE IN MADRID

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Mr Kaku, speaking in Tokyo where Canon is celebrating its 50th anniversary with a lavish display of its latest range of products, said that these two projects in the UK illustrated the company's commitment to generating more jobs and wealth in Europe.

MR Antonio Gutierrez, aged 46, took over at the weekend as the new leader of Spain's most combative trade union body, Comisiones Obreras (Workers' Commissions), in a congress marked by the bitter rift between the mainstream Spanish Communist party and its splinter factions.

emerged over the past few months as the certain successor. He was backed by Mr Cancho and had powerful support in the main sectorial branches and almost all the regional branches of the union.

The new secretary-general, elected by a vote of almost 75 per cent, faces the hard job of replacing 60-year-old Mr Marcos Cancho, leader since the union's clandestine origins under the Franco regime. Mr Cancho, a former metalworker and widely popular is taking up an honorary post as president of Comisiones.

Mr Ariza has accused the gerontocracy of moving the union to the right. The Carrillo camp, advocates of a harder line, suffered earlier defeats when its representatives were ousted from the union leadership in the Basque country and from control of Comisiones' most important industrial branch, the metalworkers.

WORLD ECONOMIC INDICATORS  
INDUSTRIAL PRODUCTION  
(1980 = 100)

	Oct '87	Sept '87	Aug '87	Oct '86	% change over previous year
US	122.3	120.5	120.6	115.4	+5.1
UK	122.1	120.5	120.6	115.4	+5.1
Japan	122.1	120.5	120.6	115.4	+5.1
Italy	122.1	120.5	120.6	115.4	+5.1
France	122.1	120.5	120.6	115.4	+5.1
West Germany	122.1	120.5	120.6	115.4	+5.1

## China curbs car imports

BY ROBERT THOMPSON IN BEIJING

CHINA HAS announced tough new restrictions on car imports and joint venture projects to complement a ban introduced two years ago on most imports after a flood of foreign cars swamped the domestic market.

The ruling State Council issued a circular suggesting that the 1985 ban brought the "blind" importation of cars under control, but some provincial officials have recently increased imports of cars and parts, so further controls are necessary.

The document emphasised that restrictions must be tightened to ensure a healthy development of China's car industry and accelerate the manufacture of domestic cars.

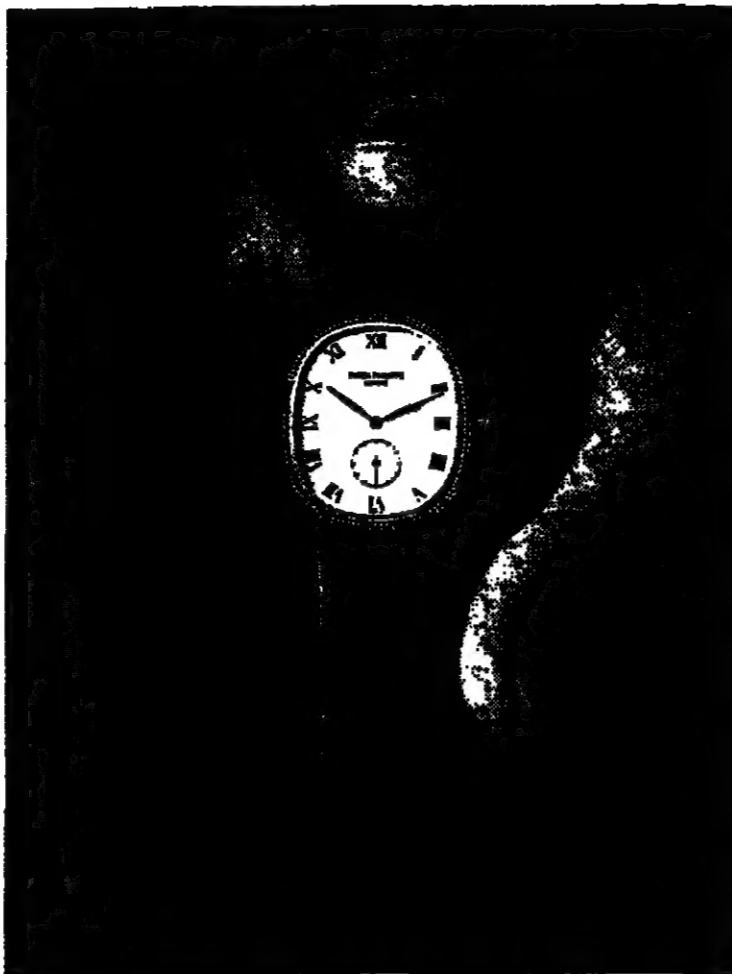
Chinese automobile industry officials have criticised provinces for signing assembly line contracts with foreign companies. Only long-term government-to-government agreements are exempted from the ban.

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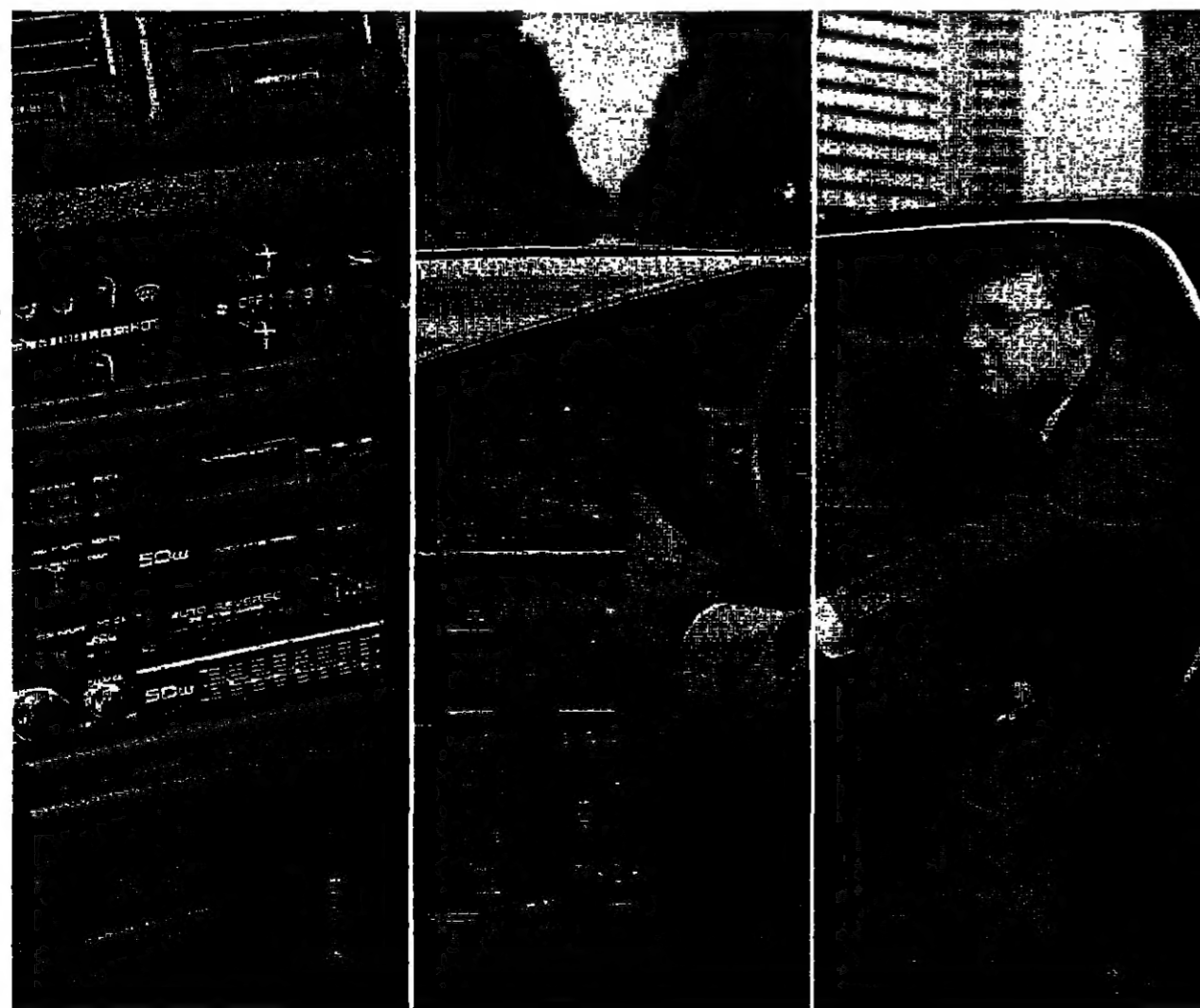


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Hitachi's wide-ranging automotive technologies include car audio, the Satellite Drive Information System featured on Nissan's CUE-X concept car and a microcomputer engine control system.

**AUTOMOTIVE**

Recent advances in car electronics technology have been remarkable. They've not only improved basic functions such as engine control, they're now being seen in man-machine interfaces providing more comfort and operating ease, and even in communications with the surrounding world. Down the road there are things even more exciting.

Hitachi's scientists and engineers are at work on a Multi Information System using a colour thin film transistor LCD to display operating information, road maps and a navigational system using these maps. With this system a driver could obtain a variety of driving information simply by touching the display screen. Eventually, he'll be able to issue verbal commands to, for instance, regulate the temperature within his car.

Hitachi electronics and semiconductor technology can also bring free communication with the outside and determine a car's exact location through use of Global Positioning System satellites.

Hitachi have also developed a highly acclaimed hot wire air flow sensor used in engine management. It helps achieve the diametrically opposed goals of maximum power and fuel economy. And we've created many other superior products for driving control, suspension control, air-conditioning and audio.

We link technology to human needs; and believe that our special knowledge will create new, highly sophisticated functions that are also easy to operate. Our goal in automotive electronics - and medicine, energy and consumer electronics as well - is to create and put into practice innovations that will improve the quality of life the world around.



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## UK NEWS

Peter Marsh on the role of Zantac and two other likely winners

## Glaxo aims for world's top three

IS THERE life after Zantac? That is the question drugs industry analysts are asking of Glaxo, Britain's biggest pharmaceutical company, which has had a meteoric rise largely through sales of its anti-ulcer formulation.

Glaxo, an industrial giant in the 1970s, has soared to become the world's sixth-biggest drug enterprise, a rise that the company, in spite of a recent slowing of growth, hopes will continue.

Mr Bernard Taylor, chief executive, says Glaxo is on course to take a place, by the early 1990s, among the top three in the industry, positions now occupied by Merck of the US, Hoechst of West Germany and Swisschem of Switzerland.

Zantac, the world's biggest-selling drug, last year accounted for just under half Glaxo's £1.73bn total sales, which yielded \$746m profit. The drug's potential is by no means exhausted, Mr Taylor says.

He expects that in 1992 Zantac will still contribute about 40 per cent of total sales, although he is cautious about predicting what that figure will be.

As to whether Glaxo will stay a success story in the 1990s, much depends on two drugs in the company's development pipeline, neither yet having a brand name yet both of which appear to have highly promising prospects.

One product combats sickness in cancer patients and may also treat mental problems ranging from anxiety to schizophrenia.

The other is for treating migraine.

Glaxo plans to sell them, respectively, next year and in 1991.

Onlookers are forecasting annual sales worth hundreds of

millions of pounds for both items. Mr Peter Woods, an analyst at Barclays de Zoete Wedd, said: "The drugs have as big a potential as Zantac, if not more."

Mr Paul Diggle, an analyst at Warburg Securities, said Glaxo "remains an outstanding growth prospect." He agrees with Mr Taylor's assessment of Glaxo's likely position in the industry in the next decade.

Such general enthusiasm stems from the large potential market for both products: analysts are particularly excited about the drug for migraine, a problem which is almost untreatable medically, sufferers' main recourse being to retire to bed with the curtains drawn.

The impressive way they work both selectively switch on or off receptors; that is parts of protein chains which regulate aspects of the body's behaviour. That selectivity cuts side effects and is especially important in treating mental problems where many drugs used today cause drowsiness or addiction.

The migraine drug operates particularly cleverly in attacking what is thought to be at the root of the condition: in migraine sufferers, tiny blood vessels in the brain's vascular system open up in the region of the head, depriving the brain of blood and causing blinding headaches.

The drug acts as though controlling a set of points on a railway line, triggering a process which closes the shunts to restore circulation.

Besides those two products, Glaxo has about six other potential money spinners in its development chain, observers say. They are for treating a range of conditions including infectious



Bernard Taylor: group moving from stock position

diseases, bronchial problems and ulcers.

The company itself also expects a good contribution to revenue from other drugs already on sale, or which are about to be released.

They include Ventolin and Volmax, for treating asthma, and the antibiotics Fortaz and Zinnat - also sold as Fortaz and Zinnat.

Observers agree that Glaxo's record and good prospects are rooted in its willingness to commit much money to clinical trials and marketing early on in the development cycle for medications.

The strategy aims to shorten the time between invention of a product and the start of sales, which in the drug industry typically takes about 10 years.

Relatively short development cycles, of seven years in each

case, appear likely both for the cancer/anxiety drug and for the anti-migraine formulation. Short development should save money in clinical trials and enable the company to release the products ahead of competitors.

Mr Taylor says the migraine medication exemplifies how Glaxo spends money on specific medications: Glaxo has organised, at least four years before the drug is available on general prescription, a marketing effort costing £1m so far, aimed at identifying potential users.

The campaign should ensure that the company extracts maximum revenue from the product once it is on sale.

Mr Ian White, a drug-industry analyst at Greenwell Montagu, a London stockbroker, says Glaxo is much more selective than comparable companies in choosing products to develop.

While others may spread resources over perhaps 20 to 30 formulations, Glaxo is likely to concentrate on no more than 10. Mr White says other companies lack the courage to focus expertise in this way. "Senior managers usually find it more comforting if they can point to a lot of products in their portfolio."

Mr Taylor concedes that Glaxo's policies are not without risk. If a drug on which the company sets great store fails at the end of development then the company can lose much money.

An example was an anti-ulcer product using loxidine. It once looked as though it might be a bigger winner than Zantac but was abandoned two years ago after fears about toxicity.

"We were going like a steam-train at the time," says Mr Taylor. "I wouldn't like to tell you how much money we wasted."

## Fitness report on women urges healthier lifestyle

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

ALTHOUGH IT is a familiar fact that women have a greater life expectancy than men, a report by the Office of Health Economics today suggests that they too often fail to maximise their advantage by adopting healthy lifestyles.

Cigarette smoking - there are now more young female than male smokers - alcohol consumption, bad diet and lack of exercise are all factors that the report believes require attention. Moreover, contrary to the popular view that heart disease is largely a male problem, it is in fact responsible for 63 premature female deaths a day.

Girls newly born in England and Wales have a life expectancy of 77.7 years compared with 71.8 for boys.

Those figures leave Britain relatively low in the life expectancy rankings for developed nations. Women in Japan, Iceland, Switzerland, France, Sweden, the Netherlands, Norway, Finland, Spain, Greece, the US, Germany and Italy can all expect to live longer.

Like much other recent research, the Office of Health Economics report draws attention to the "substantial discrepancies in health" that exist between groups within the British population, particularly when viewed in terms of social class. In spite of the difficulties in comparing data there is, it says, a broad relationship between mortality and social standing.

Of women aged 15-19 years, 83 per cent are now cigarette smokers compared with 29 per cent of young men of the same age. The report says more than 50,000 women aged 17-29 consume alcohol at a level harmful to health.

The plant will become the main source of cured bacon for slicing and packing facilities at Thamesmead, south-east London, and Tipton in Staffordshire. The company hopes to double its 5 per cent share of the UK bacon market.

## Meat plant upgrading

FINANCIAL TIMES REPORTER

AMBERLEY FOODS, the bacon and cooked meats company, is to spend more than \$5m to upgrade its three UK factories.

More than 75 per cent of the investment will be made at the Middlesbrough bacon factory, where capacity will be almost doubled to 8,000 pigs a week by mid-1988.

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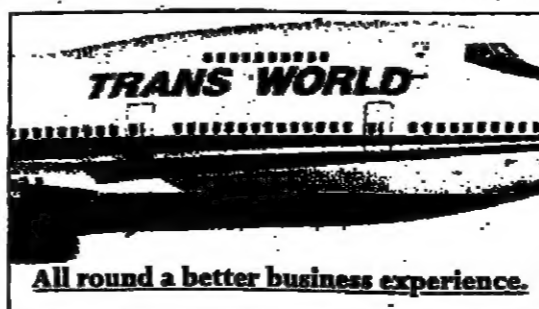
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## UK NEWS

## Manufacturers confident growth will continue

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S manufacturing industry appears confident that it can shrug off the impact of last month's stockmarket crash. It is reporting further gains in domestic and overseas order books and plans to step up investment spending.

The Confederation of British Industry's (the employers' group) latest monthly Industrial Trends survey, published today, suggests that in the immediate future at least, manufacturing output will continue to grow strongly.

A separate CBI review of investment intentions indicates that despite increased uncertainty over the outlook for demand following the recent tumble in financial markets, the next 12 months should still see an upturn in capital spending.

There is also evidence of greatly increased pressures on industry's capacity and of a prospective pick-up in the pace of price rises over the next few months, however.

The investment survey, which covered 758 manufacturing companies, shows that 49 per cent plan to step up investment in plant and machinery against 20 per cent who expect to reduce outlays. The remainder expect to hold capital spending at the same levels of the last year.

This was the most optimistic picture of intentions for 10 years, the CBI said. But the main

motivation for increased spending remains to increase efficiency rather than to expand capacity. Over 80 per cent of companies said that planned spending was aimed primarily at improved efficiency, despite signs that the recent strong rise in output has pushed industry much closer to its capacity limits.

Only 13 per cent of companies said their capacity was more than adequate to cope with expected demand over the next 12 months compared 30 per cent who said that it was less than adequate. When the same question was put in last month's quarterly trends survey, 25 per cent said capacity was more than adequate while only 15 per cent said it was less than adequate.

The latest trends survey, covering 1,307 companies, underlines the recent buoyancy of output and suggests that companies believe that they will be little affected by the stockmarket crash. Export order books appear to have improved, despite steep falls in strong appreciation against the dollar, while a higher proportion of companies than in October expect their output to rise over the next four months.

Less encouragingly, the number of respondents reporting that they plan to raise prices has started to rise again after a steady decline during the summer and early autumn. Those

pressures could be expected to increase if capacity tightens further.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said the survey indicated that the fall in equity prices and the decline in the dollar's value need only have a limited adverse effect on industry. "Manufacturing output has been growing strongly throughout the year and is expected to continue to grow into 1988," he said.

That optimism is also reflected in the CBI's latest economic forecasts. Although the pace of expansion is expected to slow, the CBI is predicting that manufacturing output will rise 4.9 per cent in 1988 after a 5.6 per cent increase in 1987. Investment in manufacturing is forecast to rise 7 per cent next year, following an increase of only 3 per cent this year, while sterling's strength and lower interest rates should bring a significant fall in the inflation rate.

The organisation's economists believe that the deficit on the current account of the balance of payments will continue to widen in 1988, with a shortfall of \$2.2bn in that year following the \$1.6bn deficit projected for 1987, however.

A halving of the overall growth rate of the economy - from 4 to 2 per cent - also holds out little prospect of any further fall in the unemployment rate.

## ITV groups consider separate pay deals

By John Gapper

TWO Independent Television companies are considering pulling out of a national pay and conditions agreement, despite fears of confrontation with broadcasting unions.

London Weekend Television and Tyne Tees have told the 18 other companies which offer basic pay and conditions as laid down by the ITV Companies agreement with four staff unions, that they want to replace it with separate local deals.

ITV companies have been under increasing pressure from the Government to alter what it regards as restrictive practices operated by members of the ACTT (technicians), Beta (electrical and studio), EEP/TV (electricians) and NUJ (journalists) unions.

Mr Alan Sepper, ACTT general secretary said he was "very surprised and angry" at the suggestion of a threat to the national agreement. He believed LWT and Tyne Tees might be "tying a kite" but if they were serious, the move would be strongly resisted.

ITV companies are worried that increasing competition in programme making and broadcasting, through improved access to the airwaves for independent producers and the advent of cable and satellite television, threatens profits and staff levels.

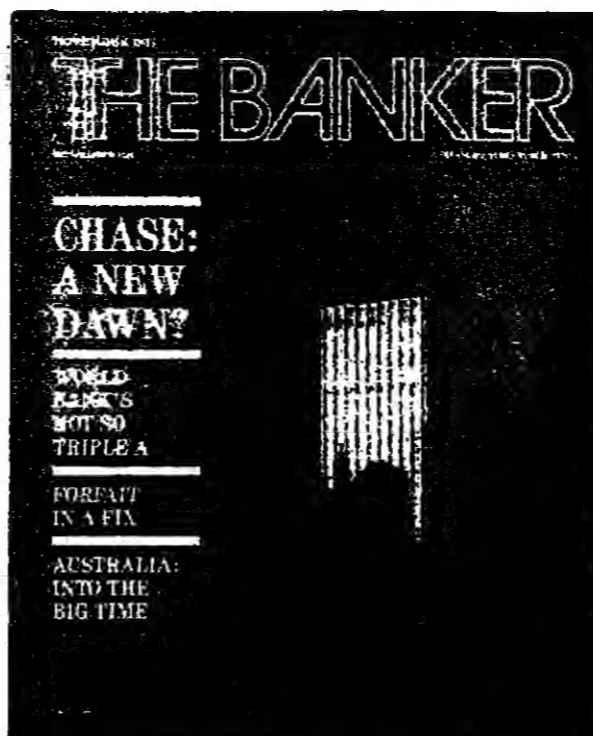
Mr Chris Stoddart, director of resources at Tyne Tees said the company had no immediate plan to pull out of the national agreement, but would be "looking positively" at the idea over the next 18 months.

Mr Roy van Gelder, personnel director of LWT described the national agreement as "hideous". He said he wanted to replace it with a comprehensive local deal, although such a policy had not yet been approved by LWT's board.

Mr Paddy Leech, Beta national industrial officer, said a weakening of the national agreement might be "a rather dangerous policy" for some ITV companies, which benefited from the strength it offered them in dealing with their unions.

The Prime Minister, Mrs Margaret Thatcher, told ITV managers at a seminar on broadcasting in September that she regarded working practices in ITV as one of the aspects of broadcasting most urgently in need of reform.

## THE WHO'S WHO OF FOREIGN BANKS IN LONDON



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Eurocommercial Paper  
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## Alvey technology research criticised as waste of time

BY DAVID THOMAS

THE \$350m Government-backed Alvey programme of information technology research is heavily criticised as a waste of time in a report from the London Business School.

The report, whose main findings are expected to be published before Christmas, is based on a two year monitoring of parts of the programme by staff at the business school with official backing.

It attacks the Alvey programme, whose first phase is drawing to a close, as wrongly focused and positively harmful to Britain's high tech industries.

Mr Peter Grindley, the report's author, said yesterday: "Because of the wrong focus, the information technology industry and

particularly the software industry would have been better off without the Alvey programme."

News of the report, described in detail in today's Datalink computer magazine, has coincided with the appointment of a new director for the programme, Dr Timothy Walker, at present private secretary to Lord Young, Trade and Industry Secretary.

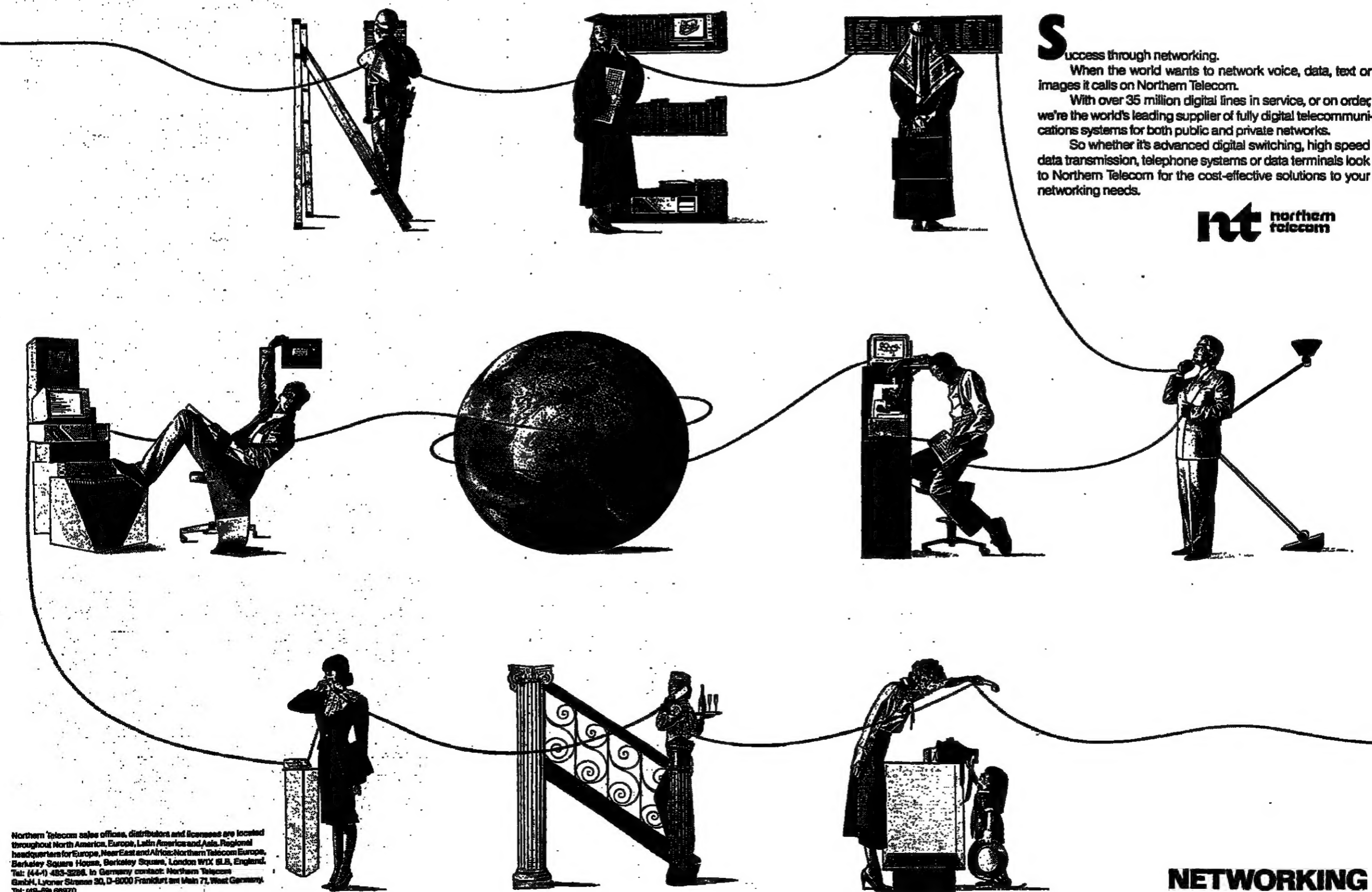
The final draft of Mr Grindley's report, which concentrates on software engineering, one of the key technologies supported by Alvey, argues that "Alvey has misdirected resources into an area of software which is unlikely to shape the industry."

By discouraging British companies from seeking research partnerships overseas, the pro-

gramme has prodded them into a game of nationalistic non-cooperation (which) the UK is very poorly placed to win."

The report also concludes that few commercial results have flowed from Alvey, while the benefits claimed for it are mainly intangible, such as greater co-operation between industry and academia.

Mr Grindley sent his draft report to the Industry Department, the Alvey directorate and the Treasury in August, but has not received a substantive reply or been asked to discuss it. However, Alvey officials said yesterday they had encouraged British companies to seek partners in Europe by participating in European-wide research programmes such as Esprit.



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## UK NEWS

## Train fares to go up by more than inflation rate

BY ALICE RAWSTON

BRITISH RAIL will announce soon that train fares will be increased by more than the rate of inflation from January. The BR board has not yet decided the exact fare increases for next year. Nevertheless, it is expected to opt for an average increase higher than the rate of inflation, which is 4.5 per cent, but lower than the 9.5 per cent recently announced by London Regional Transport.

This year the cost of travelling by rail rose by an average of 8 per cent, the lowest rise for four years. Next year's fare increase is expected to be slightly higher. The most recent fare review,

which was implemented early last January, from the price of some of the seasonal 'saver' tickets. But it increased fares on provincial services by 6 per cent and on Network Southern, the principal commuter route, by 4.5 per cent. The cost of some InterCity tickets rose by up to 10 per cent. In recent weeks concern has mounted that, in the next round of fare increases, the InterCity service will again bear the brunt of the price rises.

British Rail is now attempting to make InterCity profitable. The Government intends to withdraw its support for the service after the present financial year,

which ends on March 31. It also plans to reduce its overall financial subsidies to BR from £784m this year to £556m, at present prices, within two years.

The National Union of Railwaysmen has protested against the prospect of rail fares rising above the cost of living. Such an increase would deter people from using the railways, said the union, while increases for commuters would involve 'creating a captive market'.

It maintains that fares are already too high and should be reduced in order to stimulate use of the railway network.

## Private cash call for acid rain

BY MAURICE SAMUELSON

THE CENTRAL Electricity Generating Board has invited private industry to finance its £10m programme to combat acid-rain pollution from its coal-fired power stations.

Mr John Baker, corporate managing director, announced the decision in a letter to companies with which it is discussing the first £600m worth of work on the power stations at Drax, North Yorkshire and Fiddler's Ferry, Merseyside.

Instead of simply paying to have five gas desulphurisation (FGD) plants built, the CEBG could pay the contractors for designing and building them. Another option would be for the joint ownership of the plants or for the owners to lease them to the CEBG.

The board's move has been made partly in deference to Treasury demands to cut public spending. It also seems to

be designed to demonstrate its positive attitude towards private industry. In the past, it has been broken into competing generating companies as the Government may be planning.

In his letter to more than 20 British and overseas companies, Mr Baker wrote that the board had 'decided to explore the option of private-sector participation in the provision and financing of its fine gas desulphurisation programme'.

Asking for a reply in four weeks, Mr Baker insisted that the idea was being considered 'in parallel' with the normal tendering procedure. Companies that did not want to pursue the private-sector option 'would not jeopardise their chances of success in the event of the board ultimately deciding to proceed'.

The projects at Drax and Fiddler's Ferry involve the construc-

tion of big additions to the power stations. In the process, sulphur dioxide is neutralised with limestone, leaving behind huge amounts of gypsum to be disposed of, either commercially or as landfill.

The different process chosen for Fiddler's Ferry leaves behind sulphur products suitable for use in the chemical industry.

In his letter, Mr Baker warned private contractors they would face serious penalties if the plant either reduced the stations' output beyond specified limits or caused them to be shut down.

The cost of total shutdown at Drax would be about £100,000 a day in summer and £200,000 a day in winter.

## Wardley enters Italian market

BY CLIVE WOLMAN

WARDLEY INVESTMENT Services, an investment management firm, has entered the Italian market at the weekend by signing a deal allowing it to manage an international unit trust of at least £200m (£112.4m) for Interbancaria Gestione.

Wardley is the UK-based investment management arm of the Hongkong and Shanghai Banking Corporation and has about 80 employees. Interbancaria Gestione is a Milan financial services company owned by a consortium led by Banca Nazionale del Lavoro (BNL).

The announcement said the deal would lead to closer ties between BNL and the Hongkong and Shanghai Bank, possibly

through involvement in China. The two banks have only a correspondent banking relationship. Since 1983 the Italian unit trust industry has grown dramatically. It manages assets of nearly \$45bn. Interbancaria Gestione manages assets of \$8bn.

However, until recently Italian banks were restricted to investing in their domestic market. The opening of foreign markets as part of a wider financial deregulation in Italy created chances for UK firms, which are recognised as being among the most experienced managers of cross-border portfolio investment.

Most of the overseas marketing efforts of UK firms so far have been directed at the US and

Japan. Little headway has been made on the Continent. The two other firms that have been most active in seeking to enter the Italian market are County Investment Management, the subsidiary of National Westminster bank, and Merrill Lynch, the US securities firm.

The Wardley-managed international mutual fund, which is expected to be launched in May or June, will hold about 70 per cent of its assets in stock markets outside Italy.

Most overseas assets will be held in domestic money market instruments. The fund will be sold by Interbancaria's direct sales force and through branches of institutions that own it.

## Guidance for health authorities

By David Brindle

HEALTH AUTHORITIES should monitor their support service staff and 'penalise' them in the same way as they would private contractors, according to a Government-funded report published today.

The report takes the form of a handbook of guidance for health authorities and contractors on good practice in management of hospital cleaning, catering and laundry contracts.

The lack of such guidance has been one main complaint of contractors since 1985, when competitive tendering for service provision began. They claim some health authorities have been making arbitrary deductions from contract fees for allegedly poor work.

Mr John Hall, general secretary of the Contract Cleaning and Maintenance Association, said he hoped to see health authorities use the handbook as their 'bible' in monitoring contract performance.

'Authorities have made up their rules as they have gone along and many have called in consultants that have little about monitoring,' Mr Hall said.

The handbook, part-funded but not adopted as policy by the Department of Health and Social Security, has been prepared by Grant Thornton, the chartered accountant, for the Nuffield Provincial Hospitals Trust.

Although only about 15 per cent of cleaning, catering and laundry contracts have gone to the private sector, the handbook says health authorities must be evenhanded and treat their own staff teams to the same checks. Clearly financial penalties cannot be imposed on an in-house team. But it is suggested that notional penalties should be calculated.

With contractors, it is emphasised that opportunity should be given to rectify shortcomings before deductions from fees are made. The aim should be to provide an incentive to the contractor to perform well, not to make the contract unworkable.

Monitoring of the services, the handbook warns, can never be as precise as when dealing with a clearly-defined physical product. Of necessity, there is a reliance on qualitative measures and subjective judgments.

Health Services Management - Management and Monitoring of Contracts for Domestic, Catering and Laundry Services. Nuffield Provincial Hospitals Trust, 5 Prince Albert Road, London NW1 7SP. Price 10s application.

## Churches oppose local government measure

BY ALAN PKE, SOCIAL AFFAIRS CORRESPONDENT

EFFORTS to persuade the Government to change its opposition to local authorities including social clauses in contracts will continue both inside and outside parliament this week.

The Local Government Bill, now before Parliament, would prevent local authorities from imposing most forms of contract compliance on their contractors. Many councils have used the contract compliance procedure in an attempt to achieve various social ends - for instance to ensure the employment of members of minorities.

A delegation from churches of many denominations, led by the Rt Rev Thomas Butler, Bishop of Willesden, will today tell Mr Michael Howard, Local Government Minister, that the bill will restrict the future ability of local authorities to promote equal opportunities.

The delegation will be joined by representatives of the Institute of Personnel Management, which concluded in a recent study that contract compliance was valuable in promoting fair selection and training policies and also made good economic sense.

In the Commons tomorrow, Labour members will make further attempts to convince the Government that the bill should allow councils to require contractors to use a specified proportion of local labour on contracts.

Ministers were originally sympathetic to including a local labour provision in the bill but Mr Nicholas Ridley, Environment Secretary, has since said that would conflict with European Commission rules.

The Association of London Authorities, which represents the Labour-controlled London boroughs, says that is not correct. The association will this week be publishing a legal opinion which it says shows that the Government's view is based on a misunderstanding of EC legislation.

The bill does retain some provision for local authorities to refuse to give contracts to companies that discriminate on racial grounds. This has brought the Government into conflict with the Equal Opportunities Commission, which says it is seriously concerned that sex discrimination is not being treated in the same way.

## Gold waits to regain the Savoy standard

By Kenneth Gledhill, Mining Correspondent

GOLD is cheap, not only when measured against equities, but also compared with another long-standing City favourite - dinner at the Savoy Hotel.

According to Mr Julian Baring of stockbroker James Capel, the relationship between the value of the gold sovereign and the cost of dinner at the Savoy Hotel has remained remarkably constant since 1914.

At that time the meal cost the equivalent of 50p and a sovereign would feed 4.5 people. Today the sovereign is worth just under £40 and the River Room set dinner costs £27 (including service and value added tax). So the £40 will feed only 2.5 people.

To restore its historical relationship the gold price would have to rise to £407 a tray (excluding service and value added tax). In the current market, Mr Baring told an investment seminar in Gloucester.

He made a spirited defence of gold, which has been written in other quarters recently for apparently falling to live up to its reputation of being 'a golden constant' and providing investors with the protection they expected during the recent turmoil in stock and money markets.

'Gold has not behaved badly. It has behaved extremely well relative to everything except gilts and cash,' Mr Baring pointed out.

It was true that the price did not jump as it did during the autumn of 1986 when shares were 'washed' by a correction. But gold had done exactly what many people expected of it.

'They bought gold, not because they thought it would go up, but because they thought it would not go down. Those people actually sold gold during the crash and they now have cash with which to pick up bargains.'

Mr Baring pointed out that that was one factor among many which had resulted in gold having to withstand 'massive selling pressures' in the past week, so far successfully.

He predicted: 'The downward pressure is lessening already and at some stage soon the tide will turn. When it does gold shares will enjoy a spectacular rally.'

And, presumably, the gold sovereign will once more provide the wherewithal for dinner for more than three at the Savoy.

## GCSE 'will give pupils poorer results'

THE INTRODUCTION of the GCSE exam will mean that thousands of 16-year-olds will leave school with poorer qualifications than before, an exam expert claims today.

Mr Mike Cresswell, of the Associated Examining Board, says the system for marking the GCSE will mean many pupils will get lower grades than if they had taken the old exams, the O Level or CSE.

Under the old system, a pupil who sat three papers as part of one exam and got grades of A, B, and C would have ended up passing grade B, said Mr Cresswell. Under the new system, the same pupil would get only a grade C. The new GCSEs require pupils to reach set levels of achievement in all parts of the exam.

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BEATRICE FOODS OVERSEAS FINANCE N.V.

## Hattersley hits at Livingstone's views on IRA

BY PETER RIDDELL, POLITICAL EDITOR

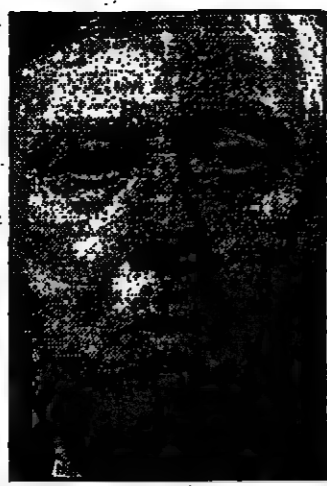
MR ROY HATTERSLEY, Labour's deputy leader, yesterday dismissed the views of fellow MP Mr Ken Livingstone about the IRA, which, he said, would succeed in its political aim of forcing Britain to withdraw from Ireland.

His comments, on BBC Radio 4's *The World This Week* programme, mark an intensification of the Labour leadership's efforts to isolate Mr Livingstone, the MP for Brent East, after his repeated statements about Ireland, especially after the IRA's murder of 11 people in Enniskillen a fortnight ago.

Mr Hattersley blamed Mr Livingstone's remarks for having lost Labour last Thursday's local by-election, which determined the control of the borough of Wandsworth in south-east London.

He said Mr Livingstone's views were "very often" wrong and on the IRA were "absolutely abhorrent". But he thought it would be mistaken for Mr Livingstone to have the party whip removed, as he had been urged by a few Labour backbenchers, since he did not count for very much in the party.

Mr Hattersley said Mr Livingstone attracted attention because of the earlier impact of his huge public relations budget when he was leader of the Greater London Council and because he said the sort of thing that Tory newspapers wanted to print.



Roy Hattersley: MP's views 'abhorrent'

Mr Livingstone presents a dilemma for the Labour leadership since, although it seeks to minimise his significance, he did attract sufficient support from constituency parties to be elected to the party's national executive committee.

During his interview yesterday, Mr Hattersley said the opinion surveys presented to last Friday's joint meeting of the shadow Cabinet and national executive had shown that Labour Party values were more popular than expected.

He said a wide range of groups responded to the party's call for a better health service.

## Labour's Commons fury is just a whisper of the past

Ivor Owen on parliament's cruder approach to tumult

TRYING TO restore order in the House of Commons when it is in a state of uproar can be as difficult as having the rise in the cost of living when rampant inflation has taken a hold.

On that view, the recent disorderly scenes amount to no more than what Chancellor Mr Nigel Lawson might describe as a "blip" on the retail price index.

They did not approach the scale of fury and tumult that marked Labour's ascent on the Eden Government during the Suez crisis in 1956, which those best qualified to judge still rank as unparalleled in modern experience.

Then Labour leaders, not just one perceptive if obsessed Labour backbencher, had strong grounds for suspecting that the Prime Minister had led to the House when insisting that while the Government had foreknowledge of the Israeli attack on Egypt it had not been a party to the collusion that was widely believed to have taken place - a belief strengthened by subsequent events.

The Parliamentary Labour Party of those days had in Mr Hugh Gaitskell a leader with less experience than Mr Neil Kinnock in knowing how to maximise the impact an Opposition can make against a government with a secure majority.

It did not needlessly reduce its strength by giving tacit encouragement to backbenchers prepared to indulge in blatant breaches of the rules of order incurring automatic suspension.

Unlike Mr Tam Dalyell, who has now twice been suspended for calling Mrs Margaret Thatcher a liar over the Westland affair, Mr Aneurin Bevan rejected such crudities and contented himself with calling on the entire Government to "stop lying" - a formula that was not held to be out of order.

Barely five months after a Prime Minister has been returned to office for a second third time with a majority of 100 is not the most propitious moment for an opposition to launch an all-out offensive or to engage in what might charitably be called a "dummy run".

To do so in the ill-prepared manner in which Labour MPs, with the apparent blessing of their whips, initiated the 30-hour sitting on the bill to extend Felixstowe harbour and with the opposition losing far more than it claimed to have gained from the exercise, again highlighted the paucity of parliamentary experience and tactical skills available to Mr Kinnock.

They might study the performance of the Conservative opposition led by Winston Churchill in what became known as "the Parliament of the long nights". Churchill, like Gladstone before him, was by then "an old man in a hurry" anxious to return to Downing Street to form his only peacetime administration.

The Attlee Government had only a single-figure majority and Churchill was persuaded that a war of attrition, with a succession of late sittings in the main, would force an early general election.

The offensive was launched in the spring of 1951, with open-ended debates on so-called "prayers" to annual statutory instruments. Such discussions are now normally limited to 90 minutes.

Churchill, then 76, was frequently in the front line. He was rebuffed at one stage by Col Douglas Clifton Brown, the Speaker, for "gatecrashing" - trying to address the House when he had not been called.

Labour buckled under the strain and so did the Speaker, who was ordered to rest by his doctors as he reached the brink of nervous exhaustion.

When Col Clifton Brown returned to the chair some weeks later he apologised for having to go away by saying: "I felt just like a deserter when a battle was on."

It is still a matter of dispute just how far the harriding tactics persuaded Attlee to call a general election in October 1951.

This was more than three years before he was required to seek a new mandate and it resulted in him handing back the premiership to Churchill.

At the moment Mrs Thatcher clearly has a stronger hold on the most sought-after address in Westminster, but, like some of her predecessors, she may find that events, rather than those who face her across the Commons, constitute the most formidable opposition.

Meanwhile, Mr Kinnock must console himself with the advice Mr Gaitskell received from Mr Iain Macleod: "The first 10 years in opposition are always the worst."

## Private plans for inner cities

BY JOHN GAPPER

THE GOVERNMENT has a growing conviction that the private sector, rather than local authorities, must be its main ally in reviving inner cities.

Mr Clarke, Trade and Industry Minister, said yesterday that the Government could not afford to waste its time on Labour-led local authorities "hell-bent on confrontation" and would instead seek a partnership with business.

He told the Conservative Trade Unionists' Conference in Pudsey, West Yorkshire, that government policy had moved on since the election and it now wanted industry and commerce to take a larger role in inner cities.

Mr Clarke said the private sector's response had been encouraging, and more than 200 private companies were already working on the government's 16 Inner City Task Forces.

A central contact point was now needed for business interested in inner cities. The contact point would then "ping" the companies into the government department or private-sector organisation that most needed them.

He said the Government could not expect free market economics to save the inner cities in itself because the prosperity of the City of London would not necessarily spill over into areas such as Peckham.

"What government must do, therefore, is to get stuck in itself. It must make sure that its whole range of programmes is pulled together and served in on areas most in need," he said.

## Move to shift May Day break

BY JOHN GAPPER

THE GOVERNMENT would like to replace the May Day bank holiday with one in October - if possible on a patriotic date such as Winston Churchill's birthday.

That was announced by Mr Patrick Nicholson, the junior Employment Minister, at the Conservative Trade Unionists' annual conference.

Mr Nicholson appealed to representatives for suggestions and said the Government wanted to spread bank holidays more evenly and give the tourist industry an autumn boost.

He told the conference in Pudsey, West Yorkshire, that there was also widespread irritation at the left-wing connotations of the May Day holiday, introduced in 1977 by a Labour government.

He said he had already considered dates such as the Birthdays of the Queen, the Prince of Wales or Winston Churchill, but found that none of them was timed suitably as an "apolitical" day for a new patriotic holiday.

Mr Nicholson said afterwards that Conservative bodies wanted "the red day out and a blue day in."

But he said there were practical difficulties in finding the right date in October to give the right spread to bank holidays.

May Day, which is a holiday in Britain on the first Monday after May 1, has been celebrated as an international labour movement holiday for the past 100 years.

Mr Stefan Torlecki, who lost his Cardiff West seat in the election, introduced in March a private member's bill to end the May Day holiday.

## Owen seeking to avoid merger clash

BY OUR POLITICAL EDITOR

DR DAVID OWEN, former leader of the Social Democratic Party, said yesterday he would prefer to avoid a fight between his continuing independent SDP and a new merged Liberal/Social Democratic party.

He would not seek to block the formation of the new party but he would fight if it sought to challenge the SDP by putting up competing candidates.

He was speaking during an interview on ITV's *Weekend World* programme and he also set out what he described as a far more radical programme than the Government's for increasing consumer choice in education, health and privatisation.

In face of warnings from Liberal leaders that there could be no electoral pact Dr Owen repeatedly emphasised that it was in neither party's interest to fight each other. "We would be crazy for us to fight. They would seek to destroy us," he said.

It would be in the interests of SDP councillors and Liberal Alliance councillors to work out an accommodation in the forthcoming local elections but he accepted that formal arrangements could not be worked out for two or three years.

Dr Owen and his allies in the Campaign for Social Democracy who oppose a merger with the Liberals are now claiming more than 10,000 supporters for a continuing SDP.

He said the new group might not put up candidates at all parliamentary by-elections, although it would consider doing so where the seat had been fought last June by an SDP candidate who had done well and whom he had stayed with the continuing SDP.

He denied that his group would seek to stop the merger by organising the necessary vote of one-third against that could block the constitutional changes at January's meeting of the party's Council for Social Democracy.

Dr Owen expressed support for many of the proposals in the Education Reform Bill, including the core curriculum, opening-out by schools and open enrolment, but said he objected to an ideological approach of reintroducing selection and grammar schools.

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## Mid Wales to lobby EC over move to cut aid

BY ANTHONY MORTON, WELSH CORRESPONDENT

MID WALES Development is to lobby the European Commission in Brussels in a final attempt to prevent its grant-aided status being removed.

The area's representatives fear that under the review of regional policy being carried out by the EC, its entitlement to assistance will be ended. The EC is expected to disclose its policy by the end of the year.

The fears were heightened 10 days ago when the Welsh Committee reported, after a visit to Brussels, that the prospects for Mid Wales retaining its grant-aided status were receding.

Mid Wales has received more than £10m from the EC since 1975.

Mr Iain Skewis, chief executive of Mid Wales Development, the government-assisted body set up 10 years ago to regenerate the largely rural area, has admitted that the chances of success are slim.

The EC's review, which claimed that Wales was not among the most needy areas, has already been attacked by the Government for being based on out-of-date information, incorrectly extrapolated.

At stake is grant money from the regional development fund, which helps to finance a variety of infrastructure projects, from the social fund, which supports training programmes, and from the agriculture guidance fund, which offers aid to a range of farm projects.

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- Securities Identification No. 456 767 -

Pursuant to paragraph 3 of the Conditions of Issue on November 10, 1987 the outstanding bonds of the numerical order

17 255 - 24 325 U.S. \$ 1,000, - each

in the nominal amount of U.S. \$3,000,000, - have been drawn for redemption on January 15, 1988 in the presence of a notary public.

The bonds drawn shall be paid at par on or after January 15, 1988 upon presentation of the bond certificates with coupons due January 15, 1988 attached.

a) in the United States of America at Bankers Trust Company

European-American Bank

b) outside the United States of America at the head offices of the bank listed below in accordance with the Conditions of Issue:

Deutsche Bank Aktiengesellschaft

Amsterdam-Rotterdam Bank N.V.

Banca Commerciale Italiana

Banque Generale du Luxembourg S.A.

Generale Bank

Schweizerische Bankgesellschaft

Societe Generale

S.G. Warburg Securities

The bonds drawn will cease to be interest as of the end of January 14, 1988. The amount of missing coupons will be deducted from the principal.

The countervalue of the coupons due January 15, 1988 will be paid separately in the usual manner.

In this connection please be notified that among the Bonds previously drawn nos. 13 190 - 14 400 and 14 401 - 17 254 are Bonds not yet presented for payment.

After January 15, 1988 bonds in the principal amount of U.S. \$5,000,000, - shall be outstanding.

Southfield, Michigan

November 1987

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## UK NEWS

# City regulators 'fail to stop fraud'

BY CLIVE WOLMAN

A FUNDAMENTAL weakness in the new City regulatory regime is its failure to tackle the widespread commodities and securities frauds being committed against foreigners by organised crime based in London, according to Mr Barry Rider.

Mr Rider, of Jesus College, Cambridge, who is one of the leading securities-law specialists in the UK and head of the Commonwealth Secretariat's Commercial Crime Unit, was giving one of a series of public lectures on current legal problems at University College, London.

He said the 1986 Financial Services Act, scheduled to take full effect in April, continues the traditional restrictive approach of

the Government to territorial jurisdiction and promoting international co-operation to catch fraudsters.

The act, Mr Rider said, would not allow for the prosecution, for example, of Mr Irving Kott, the convicted Canadian fraudster.

He is estimated to have made several hundred million pounds by using a force of aggressive telephone salesmen from offices in Amsterdam to sell near-worthless shares to UK and other non-Dutch investors.

Mr Kott's operations were shut down by a police raid 18 months ago but he would be able to follow the example of other fraudsters and money-laundering operations and set up in London without fear of criminal sanctions.

Mr Rider said, however, that an insider dealer or fraudster could conceal his identity by interposing another foreigner between himself and the bank.

The international dimensions of investor protection had been given too little attention throughout the seven-year period of investigation and consultation over a new system of investor protection which is culminating in implementation of the act.

He said the enforcement agencies - in particular the Serious Fraud Office and the Securities and Investments Board - lacked resources and sufficient high-calibre staff to overcome these structural difficulties.

Although it will be able swiftly to process applications for authorisation from its members, mainly insurance companies, it cannot be assigned a later P-day (closing date for applications) than the other SROs. The rule books of all SROs must be approved first.

Only five weeks ago, TSA decided to re-draft its entire conduct-of-business rules, which cover more than 130 pages, to make them less legalistic and "more user-friendly". The responsibility for doing so has fallen on one TSA staff member, Mrs Glenda Davies, but she expects them to be ready for submission to the SIB early next month. The rules on some subjects, however, for example on futures and options, will not be tackled until after P-day.

The SIB view has prevailed on what was one of the most contentious issues, the segregation of clients' money by TSA member firms, but the provisions on that issue will take effect only much later than April.

Another issue on which there has been a change of stance by TSA is the rules to back the Takeover Panel. Last winter, a suggestion was made that SROs should be empowered to take over firms which failed to comply with the Takeover Code.

Clive Wolman looks at the slow path to self-regulation

## Investor protection is a tortuous affair

THE GRANTING of recognition by the Securities and Investments Board to the five self-regulating organisations that applied to it under the Financial Services Act is proving a tortuous and disputatious affair.

Over the last four months, since the self-regulating organisations (SROs) began making their applications and submitting their rule books for scrutiny by the SIB, there have been several flashpoints.

The most common cause has been the SIB's insistence that every section of every rule book must offer an equivalent standard of investor protection as the SIB's own rule book. Leading SRO officials have also complained about the poor quality of the SIB staff, particularly those below the top tier.

In September, mounting frustration, particularly within the Securities Association (TSA), led to pressure on the Government to renew Sir Kenneth Berill's appointment as SIB chairman when his first term of office expires in May. Some started tipping Mr Robert Alexander QC, recently appointed as chairman of the Takeover Panel, as his successor.

However, since the stock market crash five weeks ago, which has diverted attention to more pressing issues, the protests by City practitioners against the SIB's supposedly inflexible stance have died down. However, progress in redrafting and re-submitting SRO rule books to

the Government to territorial jurisdiction and promoting international co-operation to catch fraudsters.

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Another issue on which there has been a change of stance by TSA is the rules to back the Takeover Panel. Last winter, a suggestion was made that SROs should be empowered to take over firms which failed to comply with the Takeover Code.

Kenneth Berill, regulating the regulators, the SIB remains slow.

The Investment Managers Regulatory Organisation (Imro) has just completed what it hopes will be its final draft rule book, which it will be submitting to the SIB tomorrow. Mr John Morgan, Imro chief executive, said the risk of further delays had been minimised by holding informal discussions with Sir Gordon Borrie's office and the SIB during the re-drafting.

"There comes a time when the drafting has to stop and investor protection starts," he said.

The Association of Futures Brokers and Dealers is also to submit what it hopes will be its

John Morgan risk of further delays minimised.

Imro, which covers insurance brokers and other small investment advisory firms, was the first SRO to submit its draft rulebook to the SIB in the early summer and has now resolved the bulk of its disputes with the SIB.

The two legends are likely to be TSA and the Life Assurance and Unit Trust Regulatory Organisation (Lautro).

Lautro was the last SRO to submit the first draft of its rule book. It submitted the draft in September and it will have to make more amendments. Its rule book, particularly the pro-

visions to resurrect an industry-wide commissions cartel, is also considered the most vulnerable to criticisms by Sir Gordon Borrie.

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## Egoli Consolidated Mines Limited

(Registration No 091571708)

### Interim report for the six months ended 30 September 1987

Authorised share capital: R15 000 000 divided into 30 000 000 ordinary shares of 50 cents each

Directors: J M R Bezard\* (Chairman), D M Grant-Hodge (Deputy chairman), P B Galt, W R Lawrie, A G Netto, J N Shand. Alternate directors: G M Fentles, H A McNeil, M van der Walt. \*Portuguese

#### Balance sheets (abridged)

	Unaudited 30 September 1987	Unaudited 30 September 1986	Audited 31 March 1987
	R'000	R'000	R'000
Capital employed			
Shareholders' funds	88 708	78 785	82 830
Cost of shares in holding company held by subsidiary	—	—	(20 208)
Outside shareholders' interest in subsidiaries	40 883	1 878	40 730
Long-term liabilities - interest bearing	4 336	—	4 801
	133 708	80 663	107 855
Employment of capital			
Mining assets	164 728	15 211	82 886
Investments - listed	32 888	32 374	30 610
market value	196 637	108 427	86 290
Investments - unlisted	9 444	27 977	10 129
valuation	9 444	42 678	91 642
Current assets	38 416	8 289	7 344
Current liabilities	(33 214)	(3 914)	(11 780)
Current interest bearing debt	(18 623)	(274)	(11 374)
	133 708	80 663	107 855

Number of shares in issue 28 000 000 28 000 000 28 000 000  
Net asset value (per share) - calculated on shareholders' equity 18.41 18.03 18.17  
- calculated on shareholders' equity adjusted to reflect the excess value (as above) of the listed and unlisted investments over their book values 18.71 18.52 18.48

#### Notes to the 30 September 1987 balance sheet

1. Listed investments	2. Unlisted investments
Number of shares holding	Number of shares holding
Percentage holding	Percentage holding
Name of company	Name of company
36 600 000 28.5 Consolidated Granite Corporation Limited (now Johannesburg Mining and Finance Corporation Limited)	4 000 000 50 Energy Resources and Mining Corporation Limited
24 850 000 40.8 Consolidated Resources and Exploration Limited	50 50 Ambar Investments Limited
1 500 000 14.9 Laureate Resources Limited - Canada	
2 180 000 32.0 Simmer and Jack Mines Limited	
3 917 250 25.5 Witwatersrand Nigel Limited	

#### Comments

- During the half-year under review Consolidated Granite Corporation Limited became a subsidiary of the company for a short period.
- The group held the following listed subsidiaries as at 30 September 1987.

Name	No of shares held	% holding
Carig Diamonds Limited	4 225 000	56.33
Waverley Gold Mines Limited	4 580 000	53.53
West Witwatersrand Gold Holdings Limited	54 000 000	80.00

For and on behalf of the board Registered office 31st Floor Trust Bank Centre 56 Boff Street (Corner Fox Street) Johannesburg, 2001 (PO Box 1124 Johannesburg, 2000)

Transfer secretaries in South Africa Contbank Registrars Limited 8th Floor 94 President Street Johannesburg, 2001 (PO Box 1053 Johannesburg, 2000)

London branch registrar Hill Samuel Registrars Limited 6 Greencoat Place London SW1P 1PL England

## BBC plans to introduce self-switching radio sets

BY RAYMOND SNOOPY

THE BBC is planning to introduce an "intelligent" radio under its own name which will be able to seek out the strongest signal or automatically switch channels for local traffic news.

BBC engineers have already begun drawing up specifications for the radio, which will be designed to use the Radio Data System (RDS).

RDS adds an inaudible digital signal to normal transmissions to issue instructions to the specially designed radios.

Test RDS transmissions have already begun in England and will follow next year in Wales, Scotland and Northern Ireland.

Mr Johnny Beering, controller of Radio One and the BBC executive responsible for co-ordinating the RDS programme, says the aim will be to produce a "smart" radio for less than £100.

When the specifications have been drawn up, it is likely that the BBC will put out to international tender an RDS radio that will carry the BBC name in the way that the BBC's microcomputer does.

Eight manufacturers displayed RDS radios, many of the prototype, at an exhibition in Berlin in August.

Most were top-of-the-range radios for the expensive car market. Volvo has already taken delivery of some RDS sets from Japan, but manufacturers such as Philips are not expected to launch their first sets until next year.

Philips said: "We have a radio ready to introduce next year but the date will depend on when Dutch broadcasters introduce an RDS service."

Mr Beering's aim is to ensure that RDS radios are produced at affordable prices to improve reception and ease of use as the number of radio channels increases.

The immediate target is the car radio market. On a motorway journey an RDS radio will automatically lock on to the correct frequency for a service, avoiding the need to retune car radios on long journeys.

The BBC is also sending data for an accurate time and date display which does not need resetting for British Summer Time.

Possibilities being considered include the ability to pre-set the recording of radio programmes in the same way as video recorders can be pre-set to record television programmes.

In the longer term, RDS could be used to provide a new headline service on visual displays or even transmit fact sheets for consumer programmes or teachers' notes straight to home computer printers.

RDS is an agreed European Broadcasting Union standard and 15 European countries have either announced their intention to launch a service or begun test transmissions. Sweden and Ireland have already implemented some RDS features.

## Closer college links sought by chemical sector

By Peter Marsh

BRITAIN'S chemical companies are to try to forge closer links with academic establishments.

Mr John Cox, director general of the Chemical Industries Association, which has initiated the drive, said the industry should do more to form connections with universities and polytechnics.

Ways of doing so included carrying out joint research or swapping ideas about promising technical trends.

The exact form of the contacts has still to be worked out, but could involve regular newsletters and other exchanges linking chemical companies with academic departments.

Mr Cox acknowledged that, although many large companies, such as ICI, had good links with universities, the regular network between the chemical industry and the academic sector was not particularly good.

That was largely because of fears that chemicals companies were polluting the environment.

"We have a tremendous job to do in terms of communications," said Mr Cox.

The association also said the Government should encourage a rationalisation of academic chemistry departments, reducing their number and focusing more resources on those which remain.

#### NOTICE TO HOLDERS OF

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Pursuant to Section 1206 of the Indenture dated as of August 1, 1971, and amended as of April 16, 1986 and as of April 17, 1988 (the "Indenture"), governing the above-referenced series of debentures (the "Debentures"), notice is hereby given to the holders of the Debentures that the Company, a Delaware corporation, has entered into an Agreement with Parent, a Delaware corporation, to convert the Debentures into shares of common stock of Parent, or its direct or indirect subsidiaries, as the case may be, at the option of the Debenture holder.

Pursuant to Sections 1204 and 1205 of the Indenture, as further amended as of September 30, 1987, notice is hereby given that the Parent exercised its right under the terms of the Indenture to convert the Debentures into shares of common stock of Parent, or its direct or indirect subsidiaries, as the case may be, at the option of the Debenture holder. The conversion of the Debentures into shares of common stock of Parent, or its direct or indirect subsidiaries, as the case may be, shall be effected by the Parent, or its direct or indirect subsidiaries, as the case may be, at the option of the Debenture holder, and the conversion of the Debentures into shares of common stock of Parent, or its direct or indirect subsidiaries, as the case may be, shall be effected by the Parent, or its direct or indirect subsidiaries, as the case may be, at the option of the Debenture holder.

As a consequence of Parent's redemption of its Exchange Debentures, effective October 2, 1987, the holder of each \$1,000 principal amount of Debenture has the right, during the period such Debenture is convertible under the terms of the Indenture, to convert such amount of Debenture into \$2,185.00 cash, without any interest thereon.

Any questions regarding the conversion of Debentures should be directed to Mr. Carl J. Loveman, c/o Beatrice Company, Two North LaSalle Street, 26th Floor, Chicago, Illinois 60602.

BEATRICE FOODS OVERSEAS FINANCE N.V.





ANTHONY HARRIS

JET LAG is a problem when you first settle into Washington, but it is not the only one. It's a bit unnerving, for example, to discover that Wall Street seems to be at least twice as far from Washington as it is from London or Frankfurt; they ought to do something about the maps. And political perspectives are also strange. All Europeans use a kind of political telescope, which makes all the world's statesmen

look much the same size. In Washington they seem to look through the other end. In short, as locals have always said, the Beltway (Washington's ring road) encloses a world of its own.

The perspective here is not nationalistic, it is simply about power. In fact the most startlingly diminished figure, for a European visitor, is an American, Mr Paul Volcker. Mr Volcker has always been a taciturn man, so it is not surprising that hardly anything has been heard from him about money and the economy, the scene he used to dominate, since he stepped down three months ago. What is surprising is that during all the recent obsession with cutting the federal deficit, no one else seems to remember the longstanding Volcker themes - the financial necessity to avoid crowding out capital investment, and the danger of distorting the foreign exchange market.

Negotiators have talked instead about the need to show the Republican President and Democratic Congress can still deliver decisions. They say they have proved it, though it is hard

to know if the securities market will be reassured as long as they have no idea what is inside the package, or whether Congress will in fact confirm the agreement. Certainly Treasury Secretary James Baker realises the problem, and says that he will not even try to negotiate with his fellow finance ministers until the agreement is officially sealed.

None of this has stopped the politicians involved from appearing on television to talk smugly about how they have proved that the political process still works. Meanwhile, Mr Volcker has not been forgotten. The demolition men are already getting to work. A long revisionist study of him has appeared in the New Yorker, which is still capable of setting the intellectual fashion when it wants to. This casts the recent Fed chairman as the great disrupter, who brought the whole US economy close to ruin in the case of a monetarism in which

he never fully believed, the man who worked against the policies of two presidents.

Now it may be fair to argue that Mr Volcker was overrated when he was in office, and made some bad mistakes, but this demolition job is surely grotesque. Volcker did not oversee the explosion of uncontrolled international lending in the 1970s; he inherited it. He had to contend not so much with President Reagan's policies as with the lack of them - the initial effort to balance the US budget through sheer wishful thinking, which is still at the top of the policy agenda. If Volcker is now to be cast as the scapegoat for all the structural problems America faces, some necessary lessons are going to be even harder to learn. This anti-Volcker indictment is essentially a politician's indictment: his real crime was to be aloof. However, the charge as stated is monetarism, and this is particularly ironic at a time

when the President has just appointed the last of the belligerent monetarists, Mr Beryl Sprinkel, to his Cabinet.

This choice seems to be warning some of the analysts on Wall Street. They will understand that the growth of M1, which Mr Sprinkel likes to cite as the infallible indicator, is much affected by events in the foreign exchange market, and could be dangerously misleading. These warnings carry little weight in Washington, a stellar 200 miles away.

Wall Street's charge against Mr Volcker, if it fell inclined to mount a charge at all, would probably be that he took too long to learn to give proper weight to the exchange market, and Volcker would probably plead guilty, to judge from his few reported comments since retiring. It will be interesting to discover how long it takes these central questions, even if they are technical ones, to surface in

the Washington debate.

It is in matters like this that it becomes really important to measure the psychological distance between Washington and New York. At the beginning of last week, the fact that nobody was talking about the crash any more seemed to convey the same warning; but this seems to reflect the mood on the Street itself. The markets have picked themselves up after a nasty fall, found that they are still in one place, and are consequently feeling pretty snug.

They are also feeling very grateful to Mr Volcker's successor, Mr Alan Greenspan. The Fed chairman tackled the crisis like a veteran, and the monetarists seem to have forgotten that he also helped to bring it by giving some very ill-thought warnings on the trade trends in New York, he is a hero.

Not in Washington, though. When he appeared before Congress last week, Mr Greenspan

was treated with a good deal less awe than Mr Volcker used to command. His strong support for more financial deregulation was promptly brushed aside by leaders of the House of Representatives, which seems to be a constitutional duty, and his independence from the Administration was questioned. (A Fed Chairman can't win: one of the main charges against Mr Volcker is that he was too independent.)

This is probably because his views on the US economy remained unshockingly optimistic, despite the crash. In Wall Street everyone knows Mr Greenspan was one of the best-regarded economic forecasters in the country until a few weeks ago, and no doubt has his own strong reasons for his view.

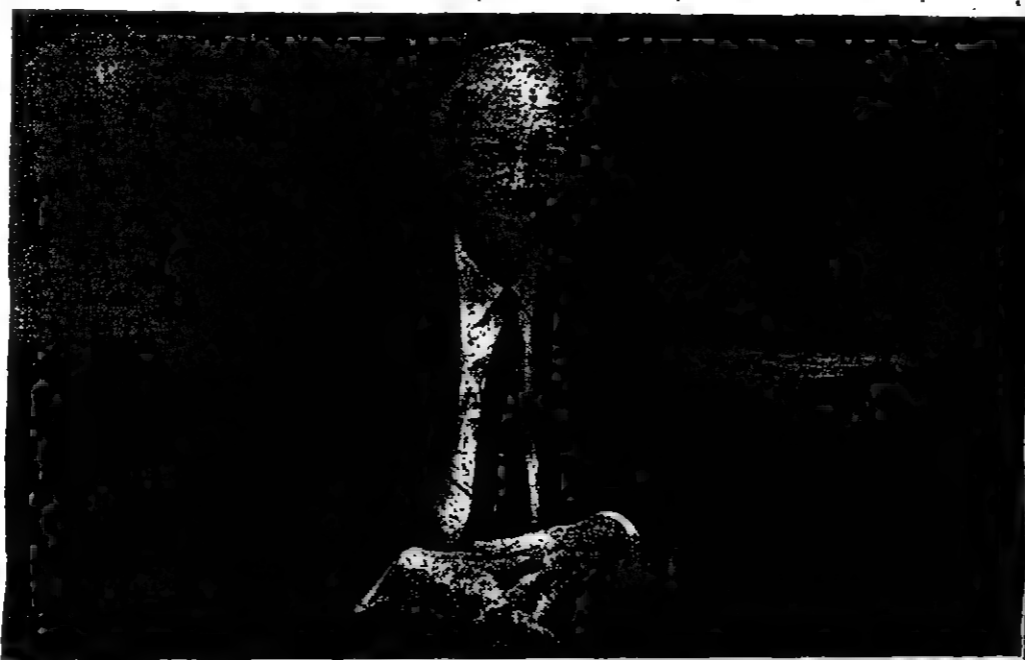
Mr Greenspan's policy views, as distinct from his feelings as a forecaster, remain enigmatic. It is to be hoped that the enigma is

soon resolved, because he will surely be an influential figure. This is not because of his heroic status on the Street, but simply because all local observers seem to agree that the political process in the capital hardly works at all any more. The system may be able to deliver hesitant and mysterious decisions, but the Administration is no longer believed to be able to make policy. In Europe, we are used to an able and sometimes arrogant civil service, which ensures that policy goes on even at the times when politics have come to a halt. The policy vacuum which seems to open up here towards the end of every Administration is going to be a particularly trying problem in the next 12 months. Mr Volcker, who is still waiting to be offered a job which carries responsibilities to match the enormous salaries which are his for the asking, is filling in the gap by addressing the cause of Washington's policy problems. He is now head of a committee on the question of the quality of the American public service. If he can get results, some future visitor will find Washington just a little less unlike home.

## INTERVIEW

## Optimist at the bank

Richard Lambert talks to Henry Grunfeld, veteran president of S.G. Warburg Group



HENRY GRUNFELD has seen it all before. A senior figure in the German steel industry in the 1950s and early 1960s, he witnessed at first hand the collapse of the central European banking system and the devastating effects of deflationary policies around the world. One of the outstanding merchant bankers in London since the Second World War, he still works a full day at S.G. Warburg, the firm which he built with his late partner, Sir Siegmund Warburg.

Now at 83, in his first press interview, he remains optimistic. "I do not believe that we can have a repetition of what I went through in 1931 because the degree of co-operation between governments and central banks is totally different today. It just won't happen," he says firmly. "This was Mr Grunfeld's position before the recent stock market crash - and it remains his position today."

There is now an established network of support between countries and institutions, he says, of a kind which simply did not exist before. Of course, problems like Third World debt are a matter of great concern, but the fact that they have been recognised and brought out into the open by both banks and governments is a very helpful sign.

"Banks used not to work together in this way. An important German bank faced a run in 1931: I was on the advisory committee, and the board just did not understand what was happening to them. The then Reichsbank tried to persuade the other commercial banks to club together to lend support. They didn't. The next day, the bank had to close - and the others all followed shortly afterwards."

Why didn't they help out? "It was a matter of personal schadenfreude: they were delighted their rival was in trouble. Compare this with what happened when Continental Illinois ran into difficulties a few years ago. Things really have changed."

This is not to say that Mr Grunfeld rules out the possibility of further short-term upheavals, but rather that he can judge them through an unusually long perspective. "I have now been, for over 60 years, active in business, and I have seen such catastrophic upheavals, and still in the long term things did sort themselves out," he observes.

Mr Grunfeld's current position at Warburg is, in the words of Sir David Scholey, the chairman, to

act as a constitutional monarch: that is to be consulted, to encourage, and to warn. Another way of putting it is that he is a one-man bomb disposal squad. He reads all the papers, and he has an uncanny knack of spotting - and dealing with - trouble.

The two founders of Warburg had much in common. They were both educated in the humanities and had similar intellectual interests. They were both brought up in traditional family firms in Germany - something which plays an important part in their story - and had important positions in their home country at an early age.

And they were both forced to flee from the Nazis only meeting each other for the first time after they had left Germany. "But our temperaments were totally different, and so was our approach to business. We were in many respects complementary."

"It has been said that Siegmund Warburg was more of a romantic and I was more of a realist. That is too much of a generalisation. But he described me once as a 'hard taskmaster' and that perhaps meant that I was rather searching and critical in my judgment of propositions and also of personalities."

Or as Sir Siegmund once put it in one of his rare press interviews: "He is much more sceptical about people (than me) almost to the point of being very suspicious. If somebody is friendly and polite, I would often take the politeness as a reflection of kindness. But Grunfeld would wisely say the man in question might want something out of us."

Even today, Grunfeld is capable of putting the fear of God into junior employees who fail to live up to his exacting standards. In business terms, the two were interchangeable. Both were actively engaged in the famous battle for British Aluminium in 1969, a deal which put Warburg on the map and changed the UK takeover business for ever. Elsewhere, Grunfeld was active in the newspaper industry, closely associated with Lord Thomson and Cecil King, and he played an important part in setting up Britain's commercial television companies. He remains the merchant bankers' merchant banker, regarded with something close to awe by some of the most senior people in the international capital markets.

The bank's style was - and to a

considerable extent, still is - that of a discreet and very tightly run family business. "There never was any chain of command. Everyone could come direct to us. The internal communications system enabled every executive to keep himself informed of what was going on even if he was away," Grunfeld explains.

Not for Warburg the genteel City way of patching over disappointments. "If something went wrong, we would never try to say there was no point in crying over spilt milk. We would have a very thorough examination to find out what had really happened and how we could develop from this point."

That approach also applied to new business. "When we take out a proposition, we always consider what we would do if it doesn't go according to plan," he says. "The phrase 'we will cross that bridge when we come to it' isn't heard here."

More than 60 years after coming to London, Grunfeld retains a strong German accent and a way of emphasising his words to make a point. And although the bank has changed enormously in scale, it still keeps, to a considerable extent, the original values of its two architects.

There is its famous tight-fistedness, for instance, or dignified austerity, as Grunfeld prefers to call it. There is its dislike of personality cults and of the ostentatious pursuit of money. As Grunfeld puts it: "The most overriding consideration was to do business in accordance with the highest standards. The money side would then follow. We would not accept propositions or clients with which we were not prepared to identify ourselves."

Then there is its occasionally sceptical approach to recruiting. As he often does, Grunfeld explains this with an anecdote: "Someone once said that hiring people is similar to buying a tie. You don't buy the tie when you need one. You buy the tie when you see one and like it. And you should do exactly the same with executives."

The bank has never been a trend follower. It led the way into the Euromarkets and largely avoided such trouble spots as tankers, property and Latin America. One current fad which Grunfeld regards with intense suspicion is the financing of leveraged buy-outs. "The depreciation of capital to indebtedness is frightening. The debt can only be dealt with either by the

disposal of assets or by cash flow, which assumes that profits will continue not only to be the same but to grow. Now I have been long enough in business to know that this just isn't so."

But Warburg did not hold back when it came to the Big Bang. On the contrary, it led the way in its acceptance of the breaking firms of Rowe and Pitman and Millem, and the jobber, Alroy and Smithers. Having vastly increased its size, can it hope to retain its character?

It keeps the right leadership in place and maintains the sort of internal communications which make everyone feel part of the group rather than just a number in a system. Grunfeld, especially in the gilt-edged sector, and is pleased that one or two leading players have already decided to cut their losses, since he thinks that this will make it easier for others to come to the same decision. "As you know, prestige is one of the most expensive things in the world."

Prestige is not something which can be bought or sold. It is something which is earned. Grunfeld seems to have gone out of his way to avoid the public eye over the past 50 years.

The turning point in his philosophy came in 1934, when for no reason he was arrested by the Nazis and held in prison for 54 hours. Many members of his family were later killed, and he was able to escape mainly because he happened to be the Spanish consul in that part of Germany. Although he talks about the experience with understandable hesitation, he says it permanently shaped his view of what was important in life.

Aspects of today's financial climate do worry him: the complexity of financial instruments which are widely traded by people who don't understand them properly; the hunt for market share; the fact that so few people have lived through a prolonged bear market; and - he re-emphasises the point - the growth of leveraged buy-outs.

But he does not worry about a repeat of the 1930s. "I just don't believe governments won't stick together and keep control. I think we have learnt our lesson," he says. "I look back over 60 years and conclude that things could have turned out very, very much worse. I retain my optimism in this respect. In the end, common sense will prevail."

brain, but brains don't necessarily follow capital."

Moreover, he says that comparisons between the Japanese and American houses are usually misleading. Grunfeld believes that there is still a considerable shake-out to come among City firms. "If I have a worry, it is that there are too many people trying to do the same thing and not doing it very well."

He thinks that the London market is over-capitalised, especially in the gilt-edged sector, and is pleased that one or two leading players have already decided to cut their losses, since he thinks that this will make it easier for others to come to the same decision. "As you know, prestige is one of the most expensive things in the world."

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## Time to refine the blunt instrument of the libel laws

THERE IS an audible expression of relief over the prospect of new libel laws, and editors at the major newspapers are already celebrating the fact that the law is being reformed. The new law, which is expected to be passed by the House of Commons in the next few weeks, is a long time in the making. It is a result of a series of events, including the trial of a former lieutenant in the Royal Navy, which received £40,000 in damages for an article in the Mail on Sunday which implied that he was a homosexual.

Only the previous week a former lieutenant in the Royal Navy received £40,000 in damages for an article in the Mail on Sunday which implied that he was a homosexual. The article, which was written by a journalist, implied that the lieutenant was a homosexual. The lieutenant, who was a former lieutenant in the Royal Navy, received £40,000 in damages for an article in the Mail on Sunday which implied that he was a homosexual.

It was not as if the article in the Sunday Times on the face of it was less serious than other recent libels. In a special inquiry column in January 1983 the columnist had written that Mr Duff had "formed alliances with Harold Smith, who was handing promotions with money stolen from Wells Fargo Bank."

During the latter part of 1980 Mr Duff had admittedly had business relationships with Mr Smith, who was a former lieutenant in the Royal Navy. The Sunday Times quickly repudiated the complaint that it had meant to suggest that Mr Duff was aware of Mr Smith's use of stolen money for buying promotions. To its credit, no doubt to some extent reflected in the jury's modest award, the Sunday Times had consistently reiterated its denial that the item in the gossip column bore any meaning to suggest Mr Duff's involvement in any way in Mr Smith's huge fraud. The jury rejected the Sunday Times' refutation of any such defamatory meaning in the words.

The Sunday Times had alternatively pleaded that

the most the words could mean were that Mr Duff had acted disapprobably and had been disapproved of by his superiors. The jury, however, was not satisfied. It found that the words were defamatory and awarded Mr Duff £40,000 in damages. The jury also found that the Sunday Times was liable for the damages. The jury's decision was a landmark one, as it was the first time that a newspaper had been found liable for libel in a civil case.

The burning question is whether justice nowadays are piling on the agony of six figure awards in order to put it mildly, an errand press. It may be that the Sunday Times case is one where the jury was so reason to punish the newspaper. It is not clear, however, whether the jury was right to do so. The jury's decision was a landmark one, as it was the first time that a newspaper had been found liable for libel in a civil case.

While not excluding the possibility of an element of punitive damages, the law is inclined to expiate punitive damages from the civil law, if only because to punish a wrongdoer beyond the bounds of compensation to the victim is to confuse the functions of the civil law and the criminal law. Damages in the high court should take full account of the victim's loss without being clouded by any further penalty on the wrongdoer.

There is little doubt that justice, without any account of the opportunity to inflict punishment on newspapers in awards of damages. The law of libel is the instrument of personal conscience by which an individual's dignity - often pseudo-dignity - is to be upheld. It is undoubtedly a very blunt instrument. It meets out the measure of justice which is the most that an imperfect system can offer to an imperfect man. But as a damaged reputation cannot be readily assessed in monetary terms, so too the punishment for irresponsible conduct by a newspaper in the exercise of its freedom of expression is not measurable. Only the courts and parliament can now bring some rationality to an unsatisfactory branch of law.

Then there are aggravated damages which are in fact a species of compensatory damages. They seek to compensate for injury to the feelings of the injured party where the author has made the defamatory remarks peculiarly offen-



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## INTERNATIONAL COMPANIES &amp; FINANCE

Andrew Fisher on Volkswagen's decision to abandon production at its US plant

## How VW's move became a burden

IT IS a time most people have been all too happy to forget. When oil producing countries lacked oil prices in the early 1970s, drivers' tempers quickly became frayed as they waited in long queues to fill up their cars with the precious commodity.

"Everybody thought the oil crisis was for ever," says Mr Carl Hahn, chairman of Volkswagen. Hence VW's decision, agonised over for three years, to build a car plant in the US. The idea was to satisfy the market for smaller family cars which did not guzzle fuel and which also offered all the solid virtues of German engineering.

That plant, finally decided on in 1976 when the company was headed by Mr Toni Schmoecker, began operations two years later. But last Friday, VW said it would stop producing cars there for good in 1988. With oil prices low again and competition stiffer, its operation at Westmoreland, Pennsylvania, had long been stuck deep in the red.

It's almost a return to 'big is beautiful', reckons Mr Stephen Reisman, European motor analyst with Phillips & Drew, the London stockbroker, of the current state of the US market. "People's memories are very short about petrol queues and the time when there was a frenzy for more economic cars."

For VW and the 2,600 employees at its US factory, the writing had been on the wall for some time. Despite the weaker dollar, which should make assembly in the US a better option than exporting from Germany, Westmoreland had become under-performing at under half its capacity of 1,000 cars a day. So VW decided, says Mr Hahn, to respond to the changed market by eliminating what is, in our group, marginal capacity at excessive cost due to low utilisation.

Ironically, a lower dollar was also one reason the US plant was built in the first place. However, adds Mr Hahn: "The change in what is selling well and what is not in the US year by year is substantial." But cheap Ford, built in Brazil, is successful at the lower end of the market, while the higher priced, sporty Golf GTIs, Cabrios, and Scirocos, as well as the larger Passats, are exported from Germany.

The market segment has changed, the competitors have changed, and the fragmentation and segmentation of markets has changed," notes Mr Hahn. Not only have the Japanese and other non-US producers become a more powerful force in the

market, but US companies have become more efficient. Today, Westmoreland accounts for under 30 per cent of VW's US sales of some 200,000 cars a year.

Despite its plan to abandon US production, VW will still benefit partly from the lower dollar. The US and Canadian-built components now installed in the Golfs and Jetas assembled at Westmoreland - such as air-conditioning units, axles, and aluminium cylinder heads - will go to Germany. So will the engines from Mexico, many of which already cross the Atlantic to VW's domestic plants.

As well as demonstrating the increasingly global operations of VW and other motor companies, the moves show how aggressively German manufacturers are pursuing cost cuts. Ford Werke, part of Ford Motor of the US, has shed staff, while Opel (owned by General Motors) and VW have stopped hiring and are letting their workforces decline.

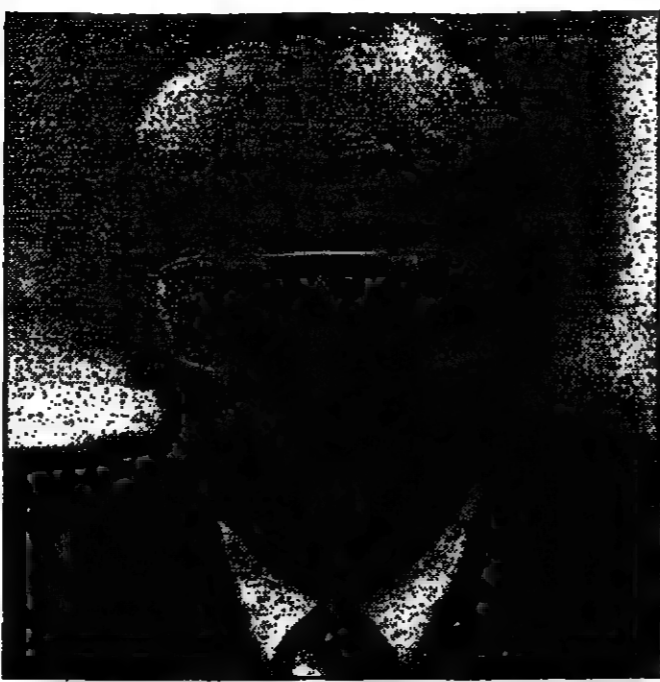
These volume producers are also seeking to buy more low or non-technology items outside Germany, where labour costs in the motor industry are the world's highest since the D-Mark's continuous rise. "We have several pockets where we can improve our cost situation," says Mr Horst Herke, chairman of Opel.

To remain competitive, German car makers have to invest heavily in the latest manufacturing equipment, as well as in product design and development. As Mr Daniel Goedevert, chairman of Ford Werke, points out, producers in France, Italy and the UK not only enjoy lower labour costs, but have recently made huge productivity strides.

Ford ended two years of heavy losses in 1986 with a net profit of DM587m (\$348.8m). This year, says Mr Goedevert, "we hope to beat this." At Opel, the hope is that 1987 will also see a profit of at least DM100m after three years of losses approaching DM1bn. VW's earnings of DM560m were dented by the currency fraud discovered this year, as well as by losses in Brazil and Spain.

In an effort to sort out its problems in South America, VW has forged the Autolatina partnership with Ford Motor. In Spain, its purchase of SEAT has provided access to cheaper production facilities for small cars. Ford and Opel also build bottom-range models there - and to the surprise, though still protected, Spanish domestic market.

Last year, VW sold Triumph-Adler, its office equipment subsidiary, to Olivetti to shed



Mr Carl Hahn, chairman of Volkswagen: "Everybody thought the oil crisis was for ever."

another loss-maker. VW's profits have been moving ahead in 1987, as the still buoyant European market has made up for weaker conditions in North and South America.

Yet none of the mass car producers in Germany is satisfied with current profit levels. "We need to earn more," says Mr Hahn. At Opel, Mr Herke comments: "I would say we still have an unfavourable cost situation, because we just don't make enough money. It's really not enough to sustain the business."

To wipe out the past three years of losses in the next three years - as it has said it hopes to do - Opel would need to earn some DM300m a year. "But we won't be able to achieve that yet in 1987, that's a bit on the high side," Mr Herke adds. The main benefits of the DM40n invested over the past three years will be felt in 1988 and 1989.

At Ford, where the turnaround from loss to profit was DM800m in two years, improvements have come from bigger volume in a booming domestic market, efficiency advances through high investment and a lower labour force, and pressure on suppliers to cut prices. Like Opel, it also buys more parts from the US.

Ford Werke cut its fixed costs (mostly wages and materials) by no less than DM600m in five

years," says Mr Goedevert. "This was almost a 20 per cent fixed cost improvement. The only problem is that everybody's moving at the same time. It's a never ending story."

The main threat to the volume producers comes from the Japanese, now enjoying around 15 per cent of the German market. Jap-market manufacturers like Daihatsu and BMW have been less affected, though Japanese manufacturers are not expected to neglect the higher priced area, having turned their attention to it in the US.

Mr Goedevert, who is concerned that Germany should remain price competitive not only in medium-sized but also in small cars, points out that even while its wage levels have risen, Japan has kept honing its efficiency. "We have all been surprised at how far the Japanese have been able to increase productivity from a high level. You can always find new ways."

Like most of the rest of the industry, Mr Goedevert opposes German union demands for a 35-hour week, which are likely to resurface after the present three-year wage deal. But in general, German unions have cooperated realistically in moves to enhance productivity and halt expansion of the workforce.

Because of their high quality, reliability, and design, German cars can command a price premium over other makes. "There is a lot of added value," says Mr Achim Diekmann, general manager of the German automobile industry association (VDA). "The technical substance and the gadgets give them an image that clearly justifies higher prices."

By putting more of the manufacturing burden on suppliers, car companies can concentrate more on technical innovation, design, and development. "In this way," adds Mr Diekmann, "we demonstrate growth. Building cars takes a lot of resources such as steel, other materials and manpower. Now, we can use brainpower to make products which need fewer resources and where servicing is easier. It calls for more brainwork by engineers. That's where the growth area in terms of added value lies."

Whether at the upper or lower end of the market, German manufacturers are well aware that car markets cannot keep on growing. Since 1970, the average growth rate of the German industry in unit terms has been only 1 per cent a year. But the total value of the cars built has risen by a real (price-adjusted) 4 per cent annual average.

By going for quality rather than quantity, German manufacturers have fashioned a style and reputation which they hope will see them through any turbulence arising from the latest currency and stock market upheavals.

"The fact is," says Mr Herke, "people don't buy the cheapest model. They buy very well-equipped cars." Opel's Kadett costs from DM16,000 to DM26,000, depending on the variations. But the more options a car has, the more it costs to produce.

For VW, the lesson is clear: It makes more sense to export cheaper cars to the US from Brazil and more expensive cars, with a range of options, from Germany, where steady investment has led to a high degree of automation and flexibility at high volume. The US plant in

VW's view, has run its course.

## FINANCIAL TIMES CONFERENCES

WORLD TELECOMMUNICATIONS  
London, 1 & 2 December, 1987

The Financial Times eighth conference on World Telecommunications is set against a background of readjustment for telecommunications throughout the industrialised West.

The opening address will be given by Lord Young, speaking on the UK government's policy on competition and liberalisation. M Gerard Longuet, French Telecommunications Minister will speak on future telecommunications policy in France. Telecommunications policy reform and international trade will be reviewed by Mr Karl-Heinz Narjes, Vice President of the Commission of the European Communities and Mr Geza Fekete, Counsellor for the Office of the United States Trade Representative. Opportunities and challenges for the European equipment industry will be debated by Dr Hans Baur, Executive Vice President of Siemens AG.

VENTURE CAPITAL FINANCIAL FORUM  
London, 3 & 4 December, 1987

This will be the fifth in the highly successful series of Venture Capital Financial Forums arranged by the Financial Times and the British Venture Capital Association. The event provides a unique opportunity for investment managers and senior executives from financial institutions and industrial companies to meet some of the leading venture capital backed companies in Britain - all of which will either be raising additional venture capital funding or seeking a public quotation, be it on the USM, the third market, or by way of a full stock market listing, in the foreseeable future. The Forum is also for those raising equity for the first time.

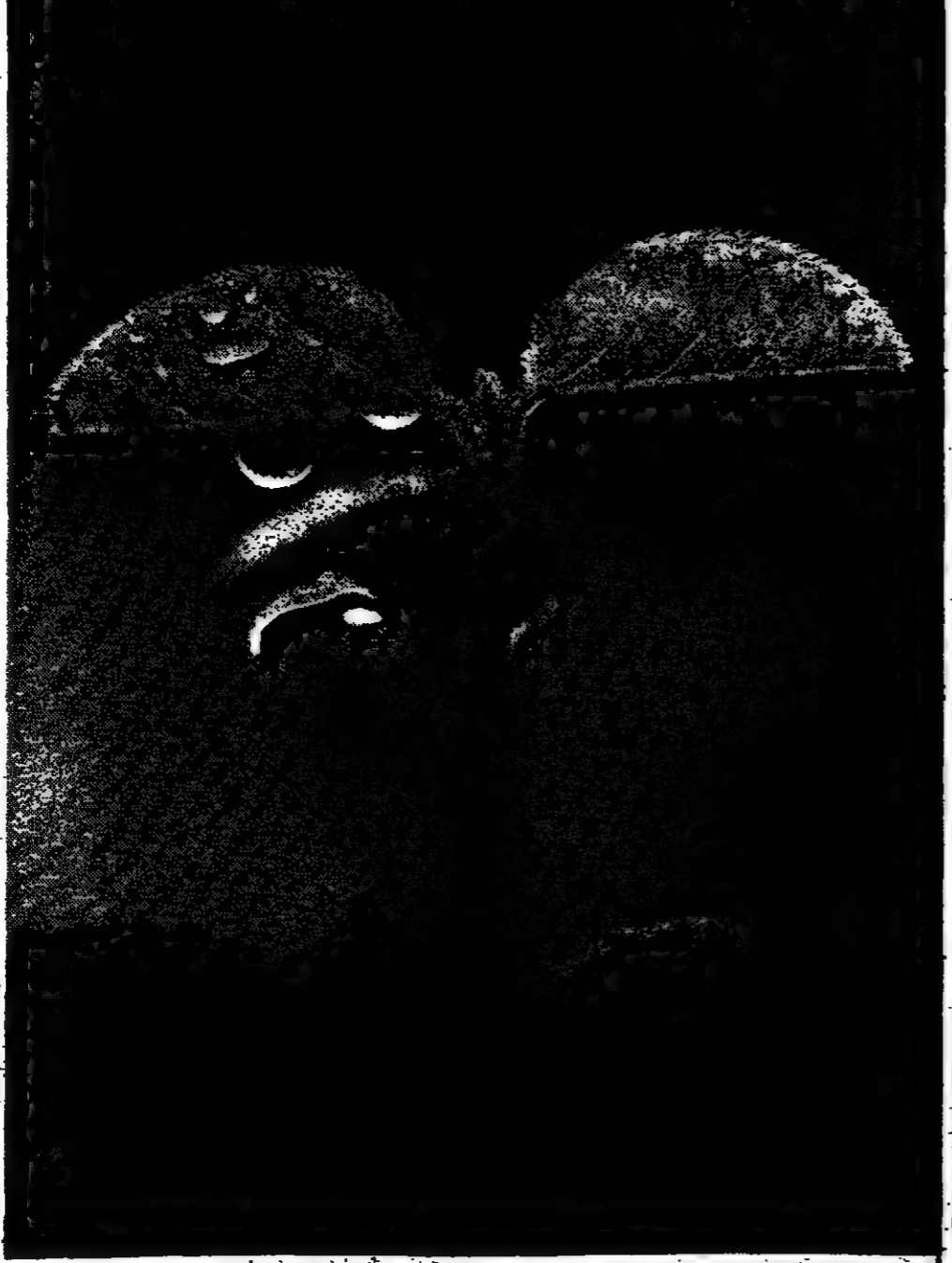
CIVIL AVIATION IN THE PACIFIC BASIN  
Singapore, 25 & 26 January, 1988

The Pacific Basin, civil aviation's fastest growing air transport arena, is the subject of the Financial Times conference to be held in Singapore on 25 and 26 January 1988. The rapid growth in the region is already imposing strains upon the airlines, airports and the aviation infrastructure overall. It will generate a massive demand for new aircraft and the money with which to buy them for many years to come. The aim of this '88 conference is to define these problems and indicate possible developments and solutions.

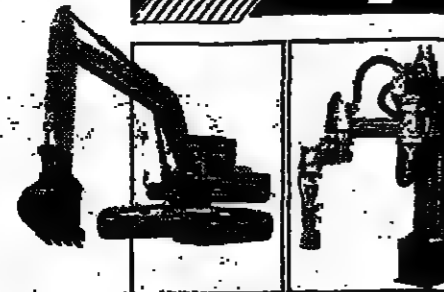
Contributors to the debate include Dr Cheong Choong Kong, Singapore Airlines, Mr Mitsunari Kawano, Japan Air Lines, Mr Frederick Bradley, Jr, Senior Vice President of Citibank NA, Mr Michael Jones, Director of the Hongkong Bank Group, Mr Horst Pohlman, Vice President of Pratt & Whitney and Mr Sydney Gillibrand, Managing Director of British Aerospace. The conference has been timed to precede the Asian Aerospace '88 Exhibition, which will be held at Singapore Changi Airport, 27 - 31 January.

All enquiries should be addressed to:  
The Financial Times Conference Organisation, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 01-925 2125

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# Why Edinburgh is a capital place to work

JUST six months ago Stewart Goldie-Morrison was brooding about the future of the US company Goldman Sachs in London. He is now doing the same thing for James Capel.

Nothing remarkable about that, except that Goldie-Morrison is now operating from Edinburgh. At the age of 29 he has made what he believes is a permanent move to Scotland. The recent opening of James Capel's broking office in Edinburgh presented him with what he says was "too good a chance to pass up."

The work is similar, and the working day - from 7.30am to about 6pm - is only marginally shorter. But because he and his wife and daughter are currently living only a mile or so from his office he is cutting out about three hours of commuting - he formerly travelled to London from near Huntingdon.

Life in Edinburgh involves far less stress than in London, and, as Goldie-Morrison says, "to have the wild open spaces of the Highlands only two hours away is very attractive."

Edinburgh is Britain's second financial centre, concentrating particularly on fund management and life assurance - it claimed, before the stock market crash, to have about \$80bn under management, the bulk of it in Edinburgh. Employment in financial services is growing rapidly, though not as fast as in London. Yet although many of the senior jobs in fund management in Edinburgh are similar to positions in the south, London and Edinburgh are not interchangeable as places to work.

Though a few senior people left Edinburgh and Glasgow fund managers to go to London before Big Bang, Richard Fletcher, who runs Fletcher Jones, an employment search agency with offices in both Edinburgh and London, says there is now a net flow of senior executives into Scotland. Furthermore some people predict a greater flow of business to Scotland because of disillusion with the volatility of the City of London and the expected rapid growth of personal pensions business for the life companies.

But, says Fletcher, "coming to Edinburgh tends to be a one-way move. Anyone moving from the south-east is

likely to be trading down in the housing market, as houses here can cost less than one-third of their equivalent in the south-east. That factor can appeal to employers, who may feel they have not got their employees for life. But it only appeals to a particular kind of employee who is happy to release some of the capital he has tied up in his house." On the other hand, anyone moving to Scotland can get a far better house for much less money.

Basic salaries, Fletcher points out, may be marginally lower than London, while some bonuses may now match London's. But the cost of living, including, of course, mortgage payments, is lower.

Ian Witter, who runs the Edinburgh office of the recruitment consultants ASA International, says that the person who accepts a job in Edinburgh "tends to be someone who has tasted life in London long enough to know that he doesn't want to do it

**The wild open spaces of the Highlands only two hours away are very attractive**

for ever. It's hard to head-hunt someone to Edinburgh - to persuade him to uproot himself for money or prestige." Fletcher, however, says that he has persuaded executives to move to Edinburgh who had never previously thought of the idea.

Witter says: "The principal attraction is the quality of life. It comes down to children, the wife and the amount of time you can spend with them. You can play golf without having to compete with 2,000 other people on a Saturday. There is less commuting, even if you live outside Edinburgh. And you waste less time in London just taking longer to do things, partly because of the time it takes to get about. Here, because Edinburgh is so compact, you get into a nine hour day work which would take you ten hours in London."

But, he acknowledges, not everyone wants to leave "the fast-moving buzz of London." Nor does the Scottish climate, with its lack of a decent summer, appeal to everyone.

The sheer size of London means that people there have a much better chance of finding a social niche than they do in Edinburgh, he thinks. By contrast, he says, English wives have been known to find Edinburgh society difficult to break into.

This is why, as both he and Fletcher confirm, many people moving from the south-east to Edinburgh are either Scots or have Scottish connections. "You're much more likely to find someone moving to Scotland from the south-east whose origins are in the north of England, than someone who's been born and bred in the south-east - though one or two do come."

Witter points out that not only are certain categories of job not available here - there are no Edinburgh market makers, for example - but "break southerners are not wanted anyway." "The sort of person who has short-term views and is worried about making money for himself is not likely to be trusted with fund management here. Edinburgh's a thoughtful place."

Stewart Goldie-Morrison at James Capel is, as his name suggests, of Scots origin. "I've never lived up here, but both my parents and parents-in-law are Scots, and I was always coming up and down for holidays," he says.

Though he regards his move as permanent and intends to buy a house in the country outside Edinburgh, he does not consider that he has completely burnt his boats by moving north. This is because he has a well-paid job in this category where a future London employer might be prepared to help with housing finance.

Unlike Goldie-Morrison, Ross Lidstone has only slight Scottish family connections. He was brought up at Radlett in Hertfordshire. Earlier this year he joined Baillie Gifford, the long-established Edinburgh fund manager which occupies a Georgian house just off Charlotte Square.

Aged 31 and unmarried, he moved to Edinburgh after spending 18 months running the New York operations of the London Stock Exchange, which he had previously



Ross Lidstone: how would they react to an outsider from the south of England?

worked for in London. His main task is to market Baillie Gifford's investment management services in overseas markets, especially in the US.

He decided to leave New York before he became so hooked on life there that he couldn't get away, and before his friends in Britain might have become dispersed. "I would have been happy to go to London or Edinburgh," he says. Though having already left London he was probably more prepared than most people to be open-minded about the idea of Scotland.

What attracted him to Edinburgh, apart from its attractions as a city, was the appeal of its status as a second financial centre, influential but detached from the market place, "rather as Boston is to New York," he says.

He is conscious of being rather different from many of the people at Baillie Gifford, most of whom joined the company straight from university and have stayed there ever since. "Before I came I asked how they would react to an outsider from the south. But in fact they've made me and another colleague from the south very welcome."

Though he keeps his flat in London as an investment, he says: "I'm here to stay. The work certainly isn't dull; Baillie Gifford has been doing incredibly well lately in winning new business."

And the annual subscription to the golf club he has joined at Dunbar costs less than a month's subscription at one in the Home Counties down south.

## Multinationals

# In search of global flexibility

Christopher Lorenz on the development of a fresh approach to cross-border management

KAO CORPORATION, a leading Japanese maker of detergents, cosmetics and disposable nappies, delights in giving its products such jovial names as "Kaleidoscope" for hairbrushes - and "Merries" for nappies. But it is far from happy about its long-standing attempts to compete with Europe's Unilever and America's Procter & Gamble around the world. Apart from some limited success in the small developing markets of South-East Asia, they have borne little fruit.

Much of the blame lies with KAO's excessively centralised structure, and its resulting lack of responsiveness to local needs around the world - not merely in terms of product branding, but also in formulation and marketing. So the company has recently taken a number of steps to strike a better internal balance between central power and local autonomy.

Unilever's problem used to be the reverse: excessive local independence. Then, in the 1960s and 1970s, the Anglo-Dutch packaged goods giant moved strongly towards co-ordination and centralisation, applying a standard organisational approach to most of its diverse businesses and national subsidiaries. One much-publicised exception was in the US, where its Lever Brothers subsidiary was left on a dangerously long leash until the early 1980s.

Only in the past few years has Unilever taken a much more differentiated tack, with the degree of organisational centralisation or decentralisation varying widely between its businesses, regions and countries.

What KAO, Unilever and other leading companies all over the globe are now doing, according to two business professors, Christopher Bartlett and Sumatra Ghoshal, is shifting their business units and national subsidiaries from either dependence or independence towards "interdependence". From their very different starting points, they are all moving towards a common and highly ambitious goal: the simultaneous achievement of global efficiency, responsiveness to national differences, and rapid organisational learning (the transfer of skills and know-how from one part of the organisation to another).

Up to now most large companies have concentrated on developing and managing only one of these capabilities, claim Bartlett and Ghoshal, who teach at the

Harvard Business School and Insead, the European business school near Paris, respectively.

But intense international competition and rapid change in all aspects of the business environment mean that more and more industries and businesses are now being driven by the need for all three capabilities at once, they report. Only if companies can handle this triple challenge by becoming flexibly "transnational" can they become winners in the increasingly international business world, argue Bartlett and Ghoshal. Otherwise their best hope is to be "mere survivors."

Writing in the latest issue of Sloan Management Review about new ways of managing across borders, Bartlett and Ghoshal report on how nine of the world's largest multinationals

By 1982 KAO's top management had started trying to increase the company's responsiveness to international market differences by creating regional headquarters in Asia, America and Europe. Bartlett and Ghoshal report that "it also undertook a personnel development programme to upgrade the skills and organisational status of its overseas groups, and to internationalise the perspectives of managers at headquarters."

But the plan misfired, say the two academics. Instead of giving local executives some real independence, functional managers at KAO's Tokyo headquarters - "the dominant group in this traditionally centralised company" - saw the localisation drive as a signal for themselves to compensate for what they saw as the inadequacies of local manage-

considerably between basic research, product development, manufacturing, marketing and sales.

The management of diverse geographic operations has also been put on a varied footing. All the units used to operate under similar planning and control systems, and report through the same channels. "Increasingly, however, managers recognise that such symmetrical treatment can constrain strategic capabilities," report the two academics, pointing to Unilever's gradual realisation that Europe's highly competitive markets and closely linked economies mean that operating companies in that region require more co-ordination and control than those in, say, Latin America.

Little by little over a number of years, Unilever's top management increased the role of "product-co-ordination groups" in Europe, finally giving them direct line responsibility for all operating companies in their businesses. Elsewhere, however, the historic line management role of the national units has been maintained, and product co-ordinators have acted only as advisors.

Most recently, differentiation within Europe by national units has proceeded even further. Operations in "key countries" such as France, Germany and Britain, are allowed to retain considerably more autonomy than those in "receiver countries" such as Denmark, the Netherlands, Sweden and Switzerland. "While the company's overall commitment to decentralisation is maintained," comment the academics, "receiver countries" have gradually become more dependent on the centre for direction and support.

Despite the managerial challenges posed by this complex organisational approach - which also includes variations between businesses such as detergents, packaged foods, and chemicals - Bartlett and Ghoshal say Unilever is far from unique. They cite Philips, P and G, Matsushita and Ericsson as companies that are building the necessary organisational ambiguity, and in a gradual fashion, rather than in the sudden, adversarial environment often associated with either/or choices.

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are trying to dispense with simplistically standard structures, and what the academics call "organisational capability."

In addition to KAO, Unilever and Procter & Gamble, the companies they have studied are: Ericsson, the Swedish telecommunications group; Philips, the Dutch electronics empire; IIT, the US conglomerate General Electric of the US; Matsushita, the Japanese consumer electronics giant; and NEC, its competitor in computers and telecoms.

Bartlett and Ghoshal's researches, which will be published next year as a book by the Harvard Business School Press, are complementary to the work of C.M. Prahalad and Yves Doz on "The Multinational Mission", discussed on this page last Friday. Together, the four researchers are charting a daunting new organisational agenda for major companies.

Take KAO. At the beginning of this decade, for instance, the company was even having trouble penetrating the shampoo market in Thailand, because its local managers were positioning, packaging and pricing their products in exactly the same way as in Japan.

ment. So they became more directly involved in overseas operations. Regional and country managers found it hard to gain much influence over product development, or even market strategies, and "the company failed to develop the national responsiveness it was seeking," say Bartlett and Ghoshal.

Last year KAO took a further step in the supposed direction of both market responsiveness and "interdependence" between Tokyo and the regions, by establishing research and development units in West Berlin, Barcelona and Los Angeles. Unilever, with its much greater experience of handling international operations, and its extra knowledge of cultural differences and the ideal operating conditions in different types of business, has come very much closer in the last decade to the flexible "transnational" advocated by Bartlett and Ghoshal.

It has moved in sequence from being organised in a standardised way to being much more "differentiated", they report - differentiating first by product, then by function, and finally by geography.

For instance, the degree of central co-ordination now varies

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## ARTS

## London Sinfonietta/Elizabeth Hall

Max Loppert

This is the 20th birthday season of Britain's most important orchestra, and the celebratory schedule is suitably lively and well-stocked. Simon Rattle's three November concerts with the Sinfonietta are providing the season's first fanfares. Friday's (sponsored by IBM), first of the three, was a salute to the household gods of 20th century music: Debussy, Stravinsky, Schoenberg, and Messiaen. It was an example of the three-tier, two-in-one concert programmes pioneered by the Sinfonietta-generous and rewarding if you're in the right, receptive mood, over-lavish and exhausting if you're not.

This was, I felt, one of the latter type. Concentrating hard on Schoenberg's *Pierrot Lunaire* - which occupied the middle tier - is the necessary compliment to pay the work in a performance as limpid, colourful, and well-paced as that produced by the Sinfonietta quintet under Rattle. By the time Debussy's *Sonata for flute, viola, and harp* and Messiaen's *Trois Petites Liturgies* were reached, later on in a long evening, mental energies were somewhat drained, and it was only because of the superlative artfulness of the Messiaen reading - sung with perfect freshness by the female Sinfonietta Voice - sustained on a single current of inspiration by players and conductor - that they were finally replenished. The suggestion that birthday parties need to be planned and executed more laudably than in no doubt rather Carabosse-like, but it needs to be made.

The protagonist of *Pierrot* was Elise Ross, in a "staging" conceived by Sylvano Bussotti, who also designed the costume. Miss Ross made an artful impression as a big-eyed Van Dongen woman, hair slicked down in a mooning about with delicate melancholy in a single spotlight (the hall lights were kept down); she managed to find a convincingly lyrical vocal mid-point between a wailing cry and a But the cutting edge of the words was constantly blunted by the singer's soft-grained delivery - as words are the work's most significant expressive articulation.

## Mahler's Third/Barbican Hall

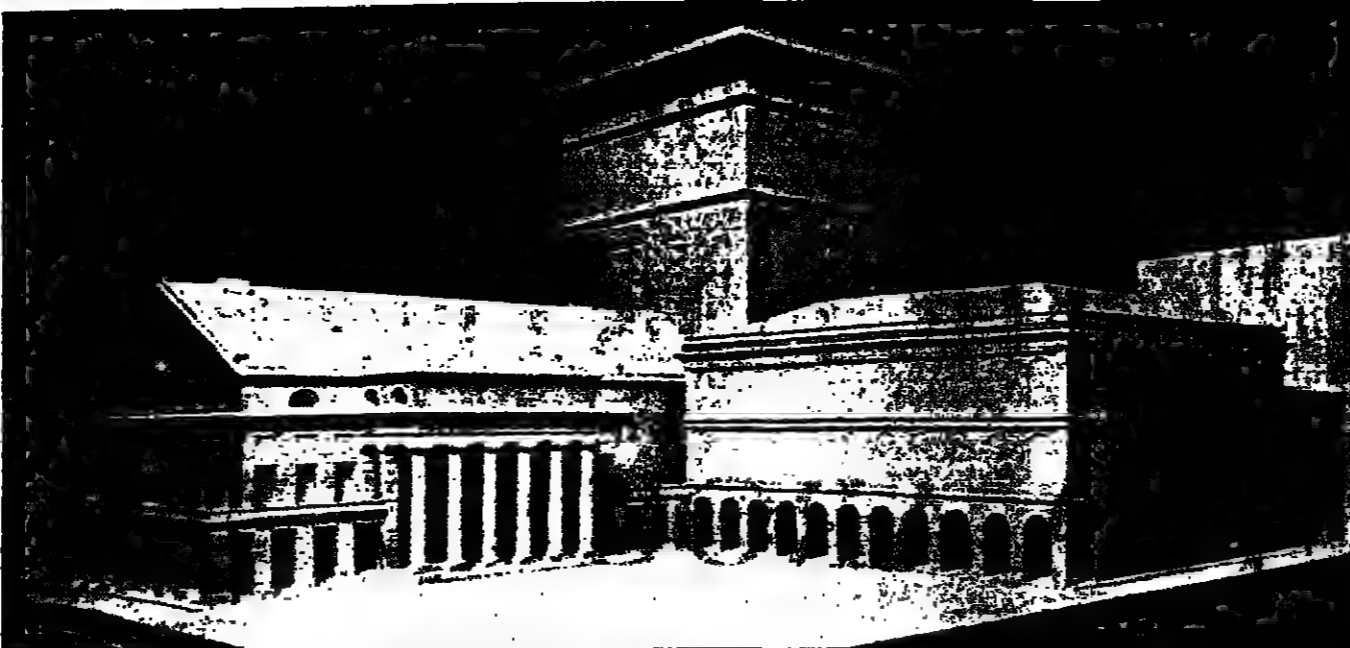
David Murray

The London Symphony is losing its music director Claudio Abbado to Vienna, and with him a talented and well-versed Mahlerian. Last Thursday, however, Michael Tilson Thomas - the LSO's new principal conductor - led the orchestra in a style that raised much more optimistic hopes for the future (he will take up his permanent post at the beginning of next season) not only for Mahlerians, but for everyone who wishes the LSO would perform at its best more dependably and more often.

This is of course a seasoned Mahler orchestra, not least through its work with Abbado. Tilson Thomas could trade upon all that experience, and it must have saved some rehearsal time - the score of the Third is studied with tricky compulsory nuances, as well as stringent demands upon players' skills. Nevertheless the performance was much more than sound and meticulously prepared: passage upon passage of superb playing and well-nigh flawless orchestral balance throughout, indicated that conductor and band have achieved a very happy rapport. The heavy brass, in particular, were magnificently secure, as subtle in the right places as they were brilliantly clamorous in others.

Terrific, unanimous string attack was a continuous strength. Tilson Thomas suggested the hour of glory - quite seamlessly, a result which exemplifies fidelity to Mahler's detailed markings doesn't guarantee. Before the Symphony female chorus and the Southern Boys' Choir had shared in the 'Angels' movement, and the Dutch contralto Jari van Nes made a potent impression with her Nietzsche lyrics fervent but absolutely not declamatory, penetrating and characterful timbre. She is surely destined for an enviable career.

Making a critical effort to find some reservations, I should say that the LSO still seems temperamentally averse to developing a real pianissimo (which would have been an expressive boon in certain places) and that Tilson Thomas's bright objectivity doesn't reach all the way into the exuberant mysteries of the Third. The opening mega-march gleamed, but nicely - no raucous, dangerous edge the Mendelssohn and the Schumann were just a notch too brisk to let their quietest points register fully. But this is no time to look a gift horse in the mouth: we ought rather to hope that it will run and run.



Model of the Teatro Carlo Felice in Genoa - a major renewal scheme by Aldo Rossi

Architecture/Colin Amery

## An evocative Italian in York

Even without the presence of the Italian President, an exhibition of the work of the leading Italian architect Aldo Rossi is a significant event in England and for a nation that is so centred on the capital it is salutary that it opens out of London, in the city of York. It will also be seen at the Royal Institute of British Architects in London in February, 1988.

For this major event, which opened last week, Aldo Rossi has designed a special building (of a temporary nature) to stand outside the City Art Gallery, York, as both a signal of the exhibition and a tribute to the medieval towers and battlements of that city. Called by Rossi the 'Tower of York', it is a series of ascending octagons that climb to a height of some 12 metres, diminishing in size as they rise.

It is a clever and provocative introduction to the exhibition, embodying in its form both the sense of some ancient defensive machine wheeled into the centre of York and a reference to the angular towers of this Gothic city.

Aldo Rossi has had a more striking career than most architects. He was born in Milan in 1931, and while training at Milan Polytechnic visited the Soviet Union. In the 1970s he was actually based for a while teaching in Italy because of his 'politic-cultural' activities. This did not stop the spread of his teachings and ideas, however; he taught in Switzerland for three years, until 1978, when he was appointed to the chair of Architectural Composition at the University of Venice.

The York exhibition opens with Rossi's graphic work which shows, in embryo form, several

of his ideas. He has a sense of childlike pleasure in objects and forms, and much of his design turns buildings and domestic objects into rather beautiful toys. Monuments assume the guise of models that can be moved around: a can of Coca-Cola stands beside the Theatre of the World in a sketch which makes you wonder about the scale of things. His etchings and vigorous freehand sketches are some of the best things in the show; they would appeal anyone with an interest in architecture or not.

The other thing that abouts with joy in the York Gallery is the strong and cheerful colour of so much of his work. It was in 1966 that Rossi's book, *L'Architettura della Città*, started architects, writers and others thinking about the importance of memory in the city. He felt particularly strongly that monuments do concentrate this memory. In a typically provocative way he praised the Stalinist monuments as models to follow: 'The monument is the city's memory, the city's memory is the monument'. It is fascinating to see how Rossi's work evokes the quality and richness of certain elements of the past, in the museum he has designed for Marburg, for example, he was quite right to consider it entirely appropriate to build a new building with a typical very steeply pitched roof in the new building for the University in Miami, his sense of colour, form and the lines of palm trees has given the campus a waterfront focus it has long needed and is entirely suitable. For a new hotel and leisure facility, as they are now called, Rossi has designed a completely brilliant scheme which, on paper at least, is a synthesis of Japanese architectural traditions.

Rossi achieved his victory by making sure that his own vision was as extreme - his schemes showed endless vistas of de Chirico-like streets, and a city architecture that was 'stripped' of all classical references, there is something inhuman about these polemical schemes, and some of the same qualities can be seen in later work. At York the perspectives of the Fontevogue project for Perugia show high colonnades that would, in reality, be

about as welcoming to walk along as Albert Speer's grand Berlin avenue. This exhibition provides a splendid chance to witness Rossi's growth and development, with the display clearly mounted and arranged, and looks like a maze-like private game. Architects can be at their most god-like when designing cemeteries - their own chance to have clients who will not interfere. There are not many objects designed by Rossi in this show. The glass case with its green roof and clock in the centre of the pediment contains coffee pots and a watch, which has exactly that toy-like quality that also informs much of his furniture. There is a wardrobe designed to look like one of those Italian beach cabins, striped with a little pitched roof. His furniture is not as mad as the work of some Italian designers, like Memphis, but it certainly does see furniture as the area for playing enjoyable games for the architect and the user.

The result in completed buildings (I recently wrote here about some in Berlin) is a kind of primitive classicism that suits Westminster cities, showing both vision and discretion. It is hard for Rossi not to make social comment, and his drawing at York of 'The Vertical City' shows a skyscraper on a background of Stock Market prices - possibly even taken from this newspaper. The Aldo Rossi Exhibition, co-ordinated by York City Art Gallery until January 2.

## Tom Waits-Roger Waters

Antony Thornecroft

Waits and Waters, not another pair of knobby northern comedians who think each other a scream, but two cult musicians playing in London last weekend. Fortunately they were booked into different venues, Tom Waits at the Hammermith Odeon and Roger Waters at Wembley Arena, for they have nothing in common apart from a weakness to view the world from behind dark glasses, and terminal eccentricity.

The American Waits is the more easily certifiable. For years he had a lovable lounge image, his raspy, low-keyed voice just a notch too brisk to let their quietest points register fully. But this is no time to look a gift horse in the mouth: we ought rather to hope that it will run and run.

He cavorts in front of his excellent band like Spiderman impersonating Oliver's Richard III, badly, and sings like a Les Marvin LP played at 45 rpm. Unfortunately his gurgling voice is now so gravelly as to be largely incomprehensible. This is a sad loss because Waits' cool, laconic, spaced-out observations, both in his songs and in his persona, are witty, helpful, and himself to a beer from the on-stage fridge he leads the audience into 'Innocent when you dream', an affecting German drinking song in which he does the drinking while you do the singing.

There is so much happening on stage-Waits changes his persona from a Born Again Christian to Frank Sinatra in seconds and the band leaps from French accordion accompaniments to sax-jazz rock that you desperately search for landmarks. Look, there's a Jacques Brel bit there, and a snatch of Randy Newman there. When Waters came down and played his oldies at the piano it became much more relaxed. But then he is not there to soothe. He is still the outrageous character causing a disturbance in the corner, obviously drunk yet sympathetic and knowing.

No jokes from Roger Waters. He was the difficult creative force behind Pink Floyd and is currently touring with a concept show to promote a concept album. The omen was not good. The album, *Radio KAOS*, is the usual stuff, all about a human vegetable saving the world, but the show was an eye-

opener. For a start the music is mainly old Floyd. 'Money', 'Brick in the Wall', etc., but played by a much fairer band. Inspired by Andy Fairweather-Low on guitar, the Bleeding Heart Band makes the old Floyd sound like Muzak, and the device of having an LA DJ on stage in a studio mock-up of KAOS speeded the flow of some very funky music.

Of course the political preaching is a problem. You sigh to hear yet another pop millionaire pontificating about world poverty and the arms race, and if I never see another back projection of starving children, missiles and industrial wasteland on the Wembley screen again I won't fret, but the brilliance of the show easily outweighed Waters' paranoia.

New York Philharmonic (Avery Fisher Hall): Leonard Bernstein conducting. Schubert's *Mahler* (Tue) Leonard Bernstein conducting. *Christa Ludwig mezzo-soprano*, New York Choral Artists directed by Joseph Flummerfelt and Brooklyn Boys Choir directed by James McCarthy. *Mahler* (Thurs) Lincoln Center (8-2494).

Philadelphia Virtuoso (Town Hall): Richard Kapp conducting. Paul Pechody violin, Vittorio Rieti, Betsy Rothstein (Tue) 2nd & 3rd Broadway (843 1818).

Washington State Opera (Concert Hall): Sir Colin Davis conducting. *Die Walküre* (Mon) Kennedy Center (254 3776).

Chicago Symphony (Orchestra Hall): Erich Leinsdorf conducting. Janice Starker 'cello, Debussy, Hindemith, Elton (Wed) 435 6111.

Tokyo Philharmonic (Tokyo Bunka Kaikan): Chazuma Gotoh conducting. *Die Walküre* (Tue) 223 4333.

New Japan Symphony Orchestra, conducted by Vladimir Vaskovitch

## The Idiot / Swan, Worcester

B.A. Young

John Glimman's compelling adaptation of Dostoevsky's novel runs for almost three hours of continuing action, moving from one part to another of Ian MacNeil's imaginative all-in set as the narrative shifts. A vast dining room, overlooked by minatory outside walls, serves for any interior scene; on an extension to the Swan's small stage, a bench, a desk, a chair summons up a train, a garden or a study, where characters may walk directly from one point to the next.

The mood is set by a piercing electronic scream, followed by some instructive extracts from the book on the nature of the epileptic fit. We move to the train, where Prince Myshkin tells Rogozhin about the medical visit to Switzerland from which he is returning, and Rogozhin drops some hints about current society in Petersburg. Myshkin is soon deep in this after his visit to the Yepanchins; the Colonel offers him a job and a room, Mrs Yepanchina and Aglaya try out his conversational skills, which drive them into fits of laughter; he sees a portrait of Nastasya Filpovna, and falls into instant love with it, love that graduates from imagination to reality when he meets her.

The plot could be briefly summarised as dealing with Nastasya's troubles with men and with Myshkin's simple efforts to put things right, but that does not summarise the play. We have four major characters, Myshkin, Rogozhin, Nastasya and Aglaya Yepanchina, and Mr Glimman has extracted enough from Dostoevsky to show them in depth. Sometimes he gives them a line or two of Dostoevsky to speak; sometimes, remembering *Nicholas Nickleby* perhaps, he gives them a stage direction. 'I left the room,' says Myshkin, doing it. Steve Serfaty, who plays Myshkin, is small and deliberately unimpressive; in his quiet moments he is

admirable. In his louder moments he shouts (as do the rest of the company when anything passionate has to be said). There is perhaps advantage about him to justify his being labelled as a 'holy fool'. I remember innocently Smolotnovsky, when the Gorky Theatre brought Tolstoy's version to London, acting Myshkin's difficulty in entering anything he felt important. Mr Serfaty, quiet or yelling, is positive.

Sam James's Rogozhin is pretty rough to have made his way even into the outskirts of Petersburg society - a hint of a Cockney voice, a hat kept on in smart drawing-rooms; but it is well done in its chosen field. Catherine Russell is ideally cast as Nastasya Filpovna. She is a tall, commanding actress, with a firm chin; it is easy to see young men falling for her, and easy to see her taking advantage of them, as she does of Ganya, Radomsky and Rogozhin as well as the naive Myshkin. I very much liked Karen Henthorne's Aglaya too, a girl who would have liked to take advantage until it came to the moment of decision.

Her mother is admirably played by Vilma Hollingbery, with maturity on one hand and simplicity on the other, and her father the General is well done by Maxwell Hutchence (much more than his chosen field, Lebedev, Rogozhin's hanger-on). This is a resident company, even young Kolya is played, alternately, by two boys from the Youth Theatre company, and the one I saw, Darryl Childs, was splendid.

Dostoevsky in a small regional company like this is a daring project, and John Glimman, who is artistic director as well as adaptor and director, deserves the highest praise. On Saturday when I went, there was hardly an empty seat in the house.

## Under the Web/Soho Poly

Michael Cotney

Julia Kenney's new play at the Soho Poly anatomises the pressing reality of absent men in the lives of a mother and daughter. In Bolton, Rose (Anita Carey) has returned home after a broken marriage; she is less interested in ironing clothes than in pumping iron. She does her weight-training in the lounge, to the understandable consternation of old Miriam (Gabrielle Hamilton).

Both women are haunted by the missing brother and son, Bob, who died the next 15 years ago and has just dropped dead with a heart attack while climbing mountains. Rose, abetted by her best friend, the district nurse Dorothy (Maggie McCarthy), wants to bury Bob without Mum knowing what's up or who's under.

In the most ludicrous of several ludicrous twists, the chap they bury turns out not to be Bob at all. Having gone to Bob's funeral in Act One, Rose pops out to his wedding in Act Two. Mum writes on a card to Bob, and Dad, and comes home from a home wearing an old bridal veil like Miss Havisham. She says Dad used to find her too vaguely small for sex and then pulls down her drawers to go to the toilet. I began to wonder what on earth I was doing with my life.

The whole thing is extremely funny, confirmation that Miss Kenney has not really departed since her refreshing 1979 comedy about a retarded adolescent, *Wednesday*. The best writing belongs to Miss Carey, a muscular (as we can see at close quarters) emotional actress with a gift for making Rose's confused and confusing situation condition a matter of theatrical fact. But the play has more holes than an Emmentaler cheese. Why is Bob's identity not established? Where is the corpse stored before burial? Who was buried? Why does Rose's prattling little son not appear until the last moments? And key scenes are palpably missing. What has happened to the cooked chicken between Rose and Dorothy? How was Miriam lured into the home? If Bob is so apologetically reformed, why does he not drop by with a slice of wedding cake?

A lot of the trouble stems from the clumsy construction. The text feels like a television or film script, cutaway scenes in the church or the home (where Miriam should obviously be discovered at one state or another exposed between awkward scenes breaks).

Brian Stiller's production does nothing to disguise these faults, and the play hobbles disjunctively on to the predictable acceptance by Rose of her filial and maternal responsibilities. With Mum gone gurgulously doolally in her walking frame, it will be years before Rose hears the last of the Zimmer whine.

## Saleroom/Antony Thornecroft

## Pre-Raphaelites on offer

Christie's is rightly proud of its auction of 19th century pictures on Friday. This was a market pushed by Sotheby's but its great rival is holding the better sale this week. Indeed Christie's describes it as its first sale from the US and has a \$120,000 top estimate.

After the buffering that 19th century British pictures received last week in the saleroom there must be some nail-biting for the prospects for these sales.

On Friday Sotheby's is offering a 36-page autograph manuscript by Liszt which was previously unknown. It has been dated to around 1832 when Liszt was in Paris. It carries an estimate of around \$50,000. Also in the musical manuscripts sale is an archive of Edward German, including his autographed score of the first version of 'Merrie England'. Along with letters, diaries and the manuscripts of songs, it is expected to sell for around \$80,000.

Today Christie's is selling contemporary ceramics, with works by all the big names - Bernard Leach, Lucie Rie, Hans Coper and Elizabeth Frizell. There is a particularly strong range of work by Coper, spreading in price from less than \$1,000 to up to \$30,000 for a monumental bottle vase. For the first time work by Carol McNicoll is offered in auction. A stoneware bowl made up of four interlocking slabs is estimated at about \$800.

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## Arts guide

November 20-26

## LONDON

English Chamber Orchestra, conducted by Jeffrey Tate with Nigel Kennedy, violin, and Robert Tear, tenor. Mendelssohn, Britten and Mozart. Barbican Hall (Thurs) 28911.

Daniel Adai, piano. Mendelssohn and Debussy. Wigmore Hall (Tue) 235 2411.

London Symphony Orchestra, conducted by Sir Andrew Davis, piano, with Jack Bryner, clarinet, and Maurice Murphy, trumpet. Beethoven, Mozart, Haydn, Tchaikovsky and Dvorak. Barbican Hall (Wed).

## PARIS

Shirley Verrett, recital. Christian Baudouin, piano. Theatre de l'Ateneum (42301516).

Jorge Boleat, piano. Chopin, Debussy (Mon) Theatre des Champs Elysees (42282327).

Jean Claude Penzette, piano. Chopin (Mon) Comedie des Champs Elysees (4241215).

## NETHERLANDS

Amsterdam, Concertgebouw. The Schoneberg and Asko ensembles.

plano Brahms, Ravel, Frank (Tue) Salle Gaveau (46622380).

Nevel Orchestra Philharmonie conducted by Paolo Olmi, Maria Tino, piano. Chopin, Mendelssohn (Tue) Salle Pleyel (46510307).

## NEW YORK

Carnegie Hall: Elena Obraztsova, mezzo soprano recital. Tchaikovsky, Rachmaninov (Mon) 247 7800.

Williams Hall (Carnegie): Carla Turchetti violin recital. Bach, Beethoven, Saint Saens (Wed) 230 5000. First with the Carnegie Hall (Goodman House) on Original Instruments. Malcolm Bilson music director. Schubert, Chopin (Mon) 6th & W Broadway (352 3719).

New York Philharmonic (Avery Fisher Hall): Leonard Bernstein conducting. Schubert's *Mahler* (Tue) Leonard Bernstein conducting. *Christa Ludwig mezzo-soprano*, New York Choral Artists directed by Joseph Flummerfelt and Brooklyn Boys Choir directed by James McCarthy. *Mahler* (Thurs) Lincoln Center (8-2494).

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Tokyo Philharmonic (Tokyo Bunka Kaikan): Chazuma Gotoh conducting. *Die Walküre* (Tue) 223 4333.

## THEATRE

Separation (Hamstead): Powerful sequel to *East for One* by Tom Kempinski using that play as furniture in the transatlantic love story of a crippled actress and overweight schizophrenic playwright.

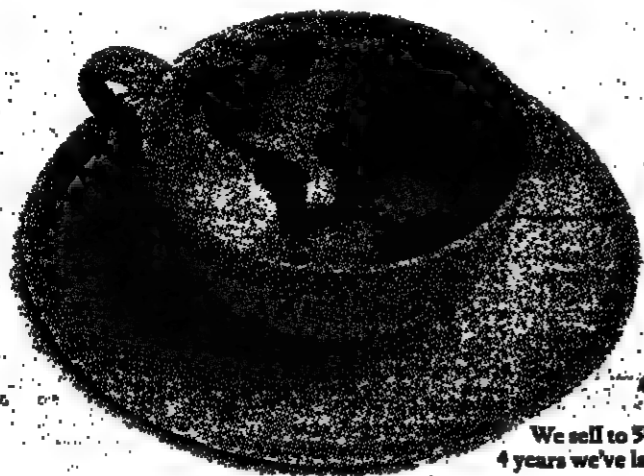
David Jones and Sarah Reeves give all in Michael Attenborough's production (22 8901). *The Rover* (Mendelssohn), Jeremy Jones returns to the stage in the RSC's Swan production by John Barton of Alpha Beta's rollicking comedy. Plays in repertoire with the Croydon play, *Sarcophagus*, an urgent but clumsily crafted hospital drama set in a criminal medical clinic as the first victims of the disaster are wheeled in (235 8558/858 8881). *A Man For All Seasons* (Savoy), Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a lesser production of a play best left to amateurs and schoolchildren (836 8885). Anthony and Cheops (Olivier), Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving (838 2282).

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# IT'S NOT DIFFICULT TO TELL THE FORTUNES OF OUR TEA AROUND THE WORLD. SIMPLY READ THE LEAVES.

You don't have to be a clairvoyant to discover how successful our brands of tea are in this country. Apart from the Tetley tea folk continually singing our praises on television, six million more ordinary folk, regularly sing our praises over their breakfast tables every morning of the week.

So perhaps it's not so astonishing that our major tea brands, Tetleys, Lyons and Quick Brew now account for one in five of all the cuppas sold in Britain. A closer look at our tea business around the world does, however, reveal some facts which are a little more surprising.



We sell to 50 countries and in the last 4 years we've launched 20 new tea products.

From Yemen's backstreets to Uruguay's ritzy hotels, our brands are the only English words many people speak. In over fifty different countries in fact, you'll find Allied-Lyons teas. In countries as far apart as Spain, Sweden, Canada and Portugal you'll discover we're the brand leaders. And in the billion dollar United States tea market we're one of the leading brands in the country and rapidly expanding.

Not of course that tea is to everyone's taste. Which accounts for the success of our coffee business around the world. In Great Britain, our Lyons Original is the best selling brand in the ground coffee market.

And in the States our Medaglia D'Oro, Bustello and El Pico brands have long been making all the right noises with espresso and cappuccino drinkers. We have been the brand leaders in the American espresso coffee market for years.

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**Allied-Lyons**



In the billion dollar American market we're one of the leading brands in the country and rapidly expanding.

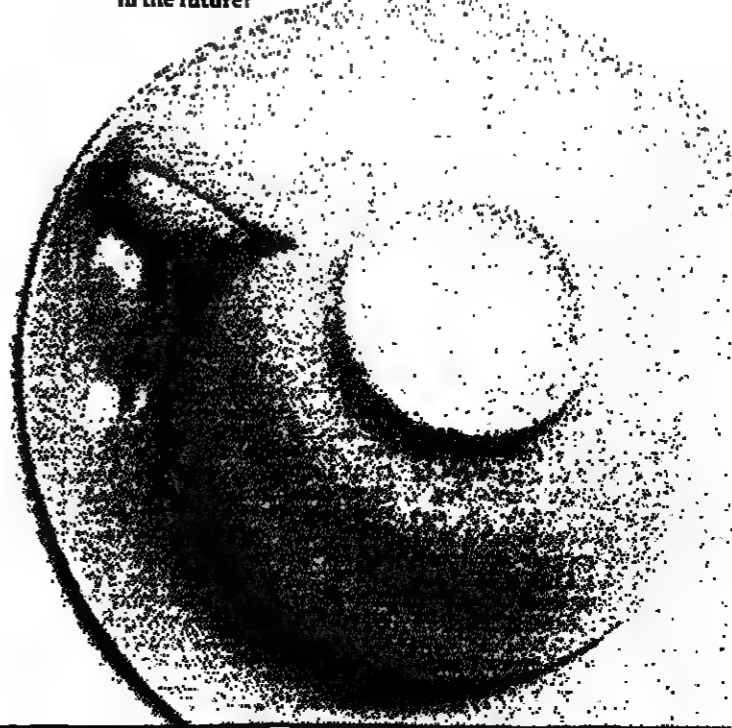


Canada alone buys over 30 million dollars worth of our teas every year. From flavoured teas to tea bags.



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Monday November 23 1987

# Small step for the US budget

When is a deficit cut a deficit increase? Answer: when it is a US deficit cut. In the looking glass world of Washington a triumph is almost certain to mean a bigger deficit in the 1988 fiscal year than in 1987. Though not what markets wanted or politicians promised, this questionable "success" may even be appropriate in present circumstances.

The US budget-deficit-reduction game is played as follows: first, one thinks of a large number and calls it the forecast deficit; then one thinks of another rather smaller number and calls it a budget cut; finally, one draws conclusions about what the deficit might be if the economic assumptions underlying the first two numbers turn out to be correct.

## Actual deficit

For the present fiscal year (1988) the deficit forecast by the Congressional Budget Office was \$180bn. The required cut under the Gramm-Rudman-Hollings budget reform law was \$30.2bn. The cut now agreed is \$30.2bn, but of this only \$23.8 bn counts under the Gramm-Rudman-Hollings provisions. The actual deficit in 1988 would, therefore, be about \$146.4bn, or about \$14.6bn above the 1987 outcome of \$131.8bn.

For 1989 cuts have been agreed of \$45.8bn, of which \$40.7bn count against the Gramm-Rudman-Hollings target. Furthermore, the Congressional Budget Office's forecast for the deficit in 1989 was below that for 1988. If the cuts agreed are put into effect, therefore, the 1989 deficit might actually fall below the level of 1987. What have been the effects of the agreement so far? The deficit has been reduced, but the reduction has been achieved by a combination of tax increases and spending cuts. The deficit has been reduced, but the reduction has been achieved by a combination of tax increases and spending cuts.

Key issues remain unresolved. It would not be very surprising, therefore, if the agreement were not put into effect by the deadline of December 18 this year. Moreover, the original forecasts for the deficit were based on quite high expected rates of

growth in the US economy. The actual deficit for 1988 is quite likely to be higher than the \$146.4bn or so currently envisaged.

What the process has demonstrated is that a significant reduction of the US fiscal deficit is not to be expected in the next two years. Indeed, in the event of a severe recession, the actual deficit could grow substantially from forecast levels, in which case the ratio of federal debt to gross national product could rise quite sharply.

The most important conclusion is that a substantial reduction will not be brought about by further reductions in the federal government deficit. The key question, therefore, is what will happen to private saving. Some estimates suggest savings may rise by \$50bn a year, but this is doubtful. It is quite possible, indeed, that the reaction of Americans to the recent dollar depreciation will be to increase expenditures in advance of rising prices of traded goods, especially imported consumer durables and investment goods.

## External deficit

If the US external deficit is to continue at a high, if somewhat reduced, level the problem for the rest of the world is eased in one respect and made more difficult in another. It is eased to the extent that the deflationary effect of US adjustment is minimised. It is increased to the extent that the continuing deficit has to be financed.

For the group of seven countries to meet again next month they could be usefully employed in focussing on the issue of how to finance the US external deficit. The US should be informed that a willingness to borrow in the currencies of the capital exporting countries is required, in return for some fiscal and monetary loosening by those countries. Nothing could be more helpful to the stability of exchange rates and restore voluntary private lending.

On balance, the modest adjustment now in prospect in the US is an inappropriate response to the current conditions. The only thing worse than continuing US external deficits would be a dramatic attempt to end them.

# New direction in education

IT WAS AN optimist who likened the UK education system to a supertanker with a rubber tiller - just possible to steer, but unable to alter course quickly. Once Governments stopped grasping the educational machinery with ever increasing supplies of money, it largely became unmanageable. One measure of the new Education Bill will be its success in restoring steering. But the acid test will be whether it enables the system to take new directions in line with the needs of society.

In a changing society, no Government can define in advance what those needs are to be. Even if one could, it would be wrong to do so. Just as education is too important to be left to teachers, it is more than important enough not to be left to a set of politicians or, indeed, to any particular group of interests. There are, however, a number of broad issues on which a fair degree of agreement has already been attained throughout the community, and which could sensibly be regarded as realistic aims.

## Working skills

An example is the view that, although the purposes of education reach beyond the mere supply of the working skills required by the economy, it is nonetheless part of education's job to prepare young people to earn their keep. Another example is the belief that it is no longer enough for the system to concentrate its efforts on the minority of children who show an aptitude for academic studies, at the cost of largely failing to develop the more practical abilities of the majority whose intelligences run in other directions. At a time when it appears probable that fewer and fewer people can expect to have jobs handed to them ready-made by established organisations, it is essential that education should strive to equip all its charges with the basic means of finding ways of making a living for themselves.

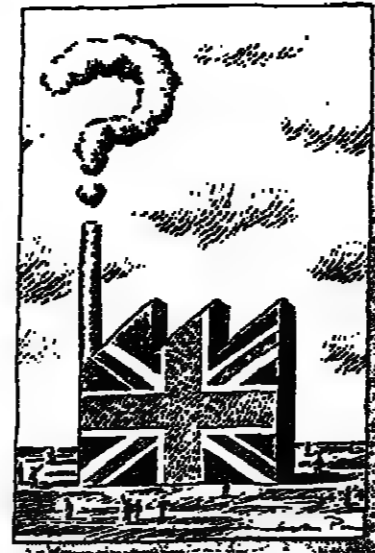
Unfortunately, while the size of the task that needs doing fully justifies the number and complexity of the Bill's provisions, there are more than enough of them to raise several dangers. The first is that realistic aims will be submerged beneath rhetoric, not only within Parliament but also on the part of pressure

groups outside. For instance, discussion of the managerial mechanisms which are needed could all too easily be obscured by claims from the right that the job can be done only by market forces, and from the left that the sole solution lies in bureaucratic planning.

## Pressing need

There is sense in the provision for governors and parental customers of a successful school to opt out of local authority control and run it themselves, with direct funding from Whitehall. But not all pupils are blessed with parents concerned about their schooling. The aim of giving every child something of value in return for at least 11 years of compulsory education will be fulfilled only if greater market freedom at the successful end of the system is complemented by more effective local authority management at the other.

Another risk is that arguments about the system's structure will swamp consideration of the content of what is taught within it. One reason why so many children become disaffected by their education is almost certainly that schools have largely failed to provide studies and teaching methods suited to pupils of practical rather than academic bent. While there is a pressing need for the development of such alternative educational products, it will not necessarily flow from the introduction of the long overdue national curriculum even though the core subjects hitherto to be studied by every pupil include a topic with the name "technology". The key issue is not what the subjects taught are called, but the things children know, understand and can do as a result. The greatest danger, however, is that Ministers' concern to exert tighter control will deprive the system of essential flexibility. It is only individual teachers who have power to deliver the educational goods the nation needs, which they cannot do if their initiatives are overly restricted. Moreover, since even the best laid plans never work quite as intended - it is important that the Bill's effects are kept under continuous review so that unwanted consequences can be swiftly eliminated.



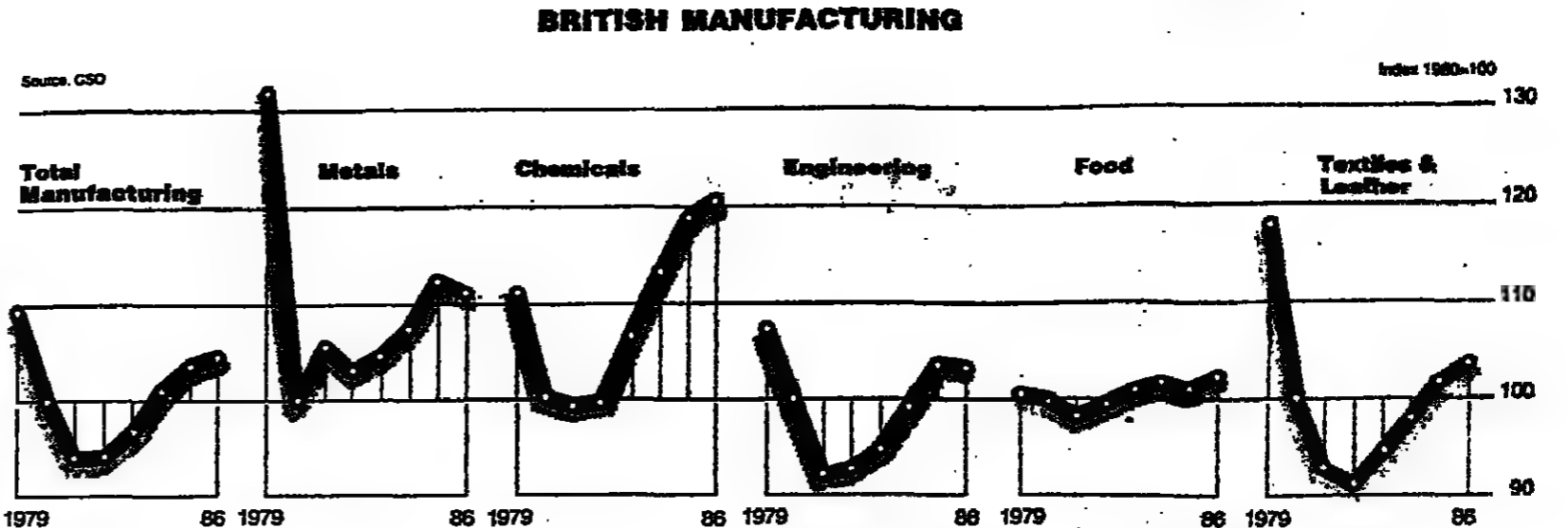
"British business is in a healthier state than it has been for a generation. Output has been rising steadily for six years. Productivity has increased as a rate second only to Japan. Company profitability is at its highest in over 20 years. Industry has a confidence in the future that would have been unthinkable seven years ago." (Conservative Party Manifesto, 1987)

"I can see no sign of a resurgence in UK manufacturing at all. As I travel up and down the country, I detect companies making all the old mistakes: too little investment, not enough attention to quality, and a total unawareness of the importance of design. What recovery I see is coming entirely from the foreigners. Ford and General Motors in motor cars, the Japanese in television sets, and the Americans in semiconductor chips." (A senior UK executive)

These contrasts in attitude are a consequence of the wrenching changes that have been forced on British industry during the Thatcher years. These adaptations have generated both abnormal problems and unusual opportunities. Many also admit the British services sector. In Japan, the luxury car company which turned from ugly duckling to glamorous princess in the space of just five years, the country has a serious challenge to its image, says Mr Harry Diekmann, a senior manager at West German car component supplier, Kromberg and Schibler.

Nevertheless, Japan does not add up to a car industry, any more than ICL sets the standards for the rest of the manufacturing sector. Indeed, in sharp contrast to the evidence of resurgence, the last few years have highlighted a range of deep-seated weaknesses in UK industry.

The first of these problems has been the big capacity cuts of previous years, in areas where British companies have relinquished large amounts of ground. It is



# A wealth of contradictions

Terry Dodsworth and Nick Garnett examine recent changes in Britain's manufacturing performance, in the first of a series of six articles assessing the extent of recovery since 1979

ing companies have notched up big profits growth, sometimes of extraordinary proportions. In the once-reeling textile industry Courtaulds has seen its profits rocket from \$5m six years ago to \$201m last year.

The climate in which manufacturing business operates has changed too. The number of working days lost through strikes has plummeted, down from 10m in manufacturing companies in 1980 to less than 1m last year. British management has also begun to show a new, if belated, awareness of its problems and the nature of the international challenge it faces. We believe in using flexibility in our manufacturing processes as a competitive tool, says Mr John Dickson, director of manufacturing operations at ICL, the computer group. "We reckon that we are among the top five information technology companies internationally in the production of our assets, and we intend that our senior managers see what other companies are doing overseas by visiting them regularly."

Not least, the perception of British companies has undoubtedly improved among their international competitors. Manufacturing experts overseas are unquestionably impressed by the UK's chemicals industry, smaller than those in West Germany and France, but equally efficient. Many also admire the British services sector. In Japan, the luxury car company which turned from ugly duckling to glamorous princess in the space of just five years, the country has a serious challenge to its image, says Mr Harry Diekmann, a senior manager at West German car component supplier, Kromberg and Schibler.

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hard to see how it can be recovered. The motor industry, for example, is a striking case of a sector where home-grown UK producers went into strategic retreat, ending in a full scale rout at the hands of importers and foreign-owned multinationals.

Back in the mid-1960s, British motor manufacturers produced about a third as many cars and trucks as the French. Despite expansion in the last few years, the UK is now producing well under half as many as the French. In fact, output in the UK peaked 16 years ago at 2.3m, some 900,000 units more than the country expects to turn out this year.

Second, the UK has lost world market share across such a broad range of industries that its few

contrast in electronics, a much faster growth sector, producers are failing to expand in step either with the world market or with overseas competitors. As a result the country has slipped from rough equilibrium in its electronics trading position in 1970 to a deficit of \$22m last year.

Fourth, the country is still suffering heavily from its reputation for inadequate training and organisation. It is true that the exceptionally strong profits recovery in the last three years is partly due to tighter manning, better labour practices and lower working capital. But in many industries, foreign-born managers are still a drag on its performance. "If we were trying to locate a

capable of acting like industrial locomotives.

The problem with concentrating on niche markets is that they can be picked off by larger companies when they decide to put some effort into it," says Mr Ronald Armstrong, director general of FERA, the management training group. "It is much harder for newcomers to break into a vertically-integrated structure."

But foreign ownership can undoubtedly bring considerable benefits to the economy. These companies tend to be generous importers of new practices in management, technology and shopfloor organisation which can spin off locally. The turn around at Plessey semiconductor and ICL, for example, have largely been achieved with managers trained in American companies. Foreign investment in areas like Scotland's Silicon Glen has begun to feed through into the education system that provides graduates to man companies and new ventures launched by executives trained by them.

Multinationals have also had a strong influence on the increasing size of the UK car industry. UK car output has gone up mainly because Ford and General Motors are transferring production from the Continent to the UK. The biggest is expanding car building in the country. Television and microwave cooker output is rising because the Japanese have invested in Britain.

All of which brings us back to the faded observations of the anonymous UK executive quoted above. In his view, multinationals have become the driving force of British manufacturing in a clutch of important sectors. That he believes, carries danger. Like many other industrialists he finds it difficult to prove that indigenous-owned companies lie at the heart of a country's industrial strength. But he expresses a widespread sentiment when he argues that a pound of investment spent on an indigenous company is worth more than a pound spent by a foreign group.

"A lot of our current increase in output is currency related," he says, "coming from companies that can equally shift investment elsewhere. I think it is better to have an economy where the currency is dependent on how you are performing industrially, as in West Germany, than one in which your production follows the currency swings."

Further articles in the series will appear in the FT this week.

## The wrenching changes forced on British industry during the Thatcher years have broken patterns of performance and behaviour and made it difficult to identify areas of strength

	1986	1985
GDP deflator	100	100
Manufacturing	100	100
US	286.5	20.4
Japan	1340.2	29.4
West Germany	612.5	31.6
France	493.7	n/a
Italy	409.1	26.2
UK	373.7	22.6

Source: OECD

healthy sectors find it increasingly difficult to carry the trading imbalance of weaker production areas. For instance, in the textile industry where, as recently as the 1960s, the UK stood alongside the US as one of the world's leading producers, profits are now low, but Britain's trading imbalance actually worsened last year. Similar attrition is continuing in a range of strategic industries across the economy.

Third, the UK has clung to its position in traditional industries with declining importance in world markets rather than more successfully than it has gained a grip on the expanding sectors.

For instance, in mechanical engineering, where Britain was once such a dominant force in the world, the UK still has a \$2bn trade surplus, despite a steady erosion of its position. By

specialised incoming foreign engineering company in Europe, multinational enterprises on a par with Ericsson. At the same time, US, Continental and Japanese-owned production plants - with their technological bases overseas - are accounting for an increasing share of Britain's manufacturing output.

This raises two questions. How effective an international trader can a country the size of Britain really be on the back of niche markets? And are there any pitfalls in the increasing dominance in the UK of big, vertically-integrated foreign companies that tend to use it as a manufacturing satellite.

It may be right that the country should no longer try to compete across the board. It clearly produced some significant successes with niche-type strategies in the 1980s - Courtaulds in textiles and Jaguar in cars. But medium-sized companies are not

DELHI, NOVEMBER 22

## Soviets show a jolly face

The Soviet Union took India by storm last night, and today its instant victory is the talk of Delhi. It staged a musical and gymnastics spectacular in one of the city's large open air stadiums, holding about 50,000 people, which did more than any event ever held here to put a cultural warm and friendly human face on the usual drab image of the USSR.

The Bolshoi Ballet danced part of the Nutcracker - performed for the first time in an open air stadium. It was followed by gymnasts, folk and contemporary dance troupes from all over the Soviet Union, and a magnificent circus. Finally, from a balcony, the Soviet leader, Mr Gorbachev, addressed the audience, symbolically depicting the future.

Throughout the two hour display, thousands of Indian children, trained for a month by Russian experts, manipulated a constantly changing sea of coloured cards and small lights to provide backdrops of forests, buildings and Russian scenes.

Opening a year long Festival of the USSR in India, the extravaganza is being followed today by an exhibition of West European art from the Hermitage in Leningrad. It includes Raphael's Holy Family, Rembrandt's Sacrifice of Abraham, and nine other paintings and 33 sculptures, never before allowed out of the USSR.

During the year there will be events in 60 Indian cities involving 2,000 Soviet artists, 500 members of a youth delegation and 200 sportsmen - all dedicated to celebrating the 70th anniversary of the Soviet revolution and the 40th anniversary of India's independence.

## Men and Matters

### Politics first

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### Moore's success

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shock at this idea, which was first raised and then dropped during India's 1976-77 State of Emergency by Sanjay Gandhi. Rajiv's younger brother, who was killed in a 1981 air crash.

The worldly young Minister for Tourism and Aviation, Jagdish Tytler, who was a follower of Sanjay's and has revived the idea, has amazed people by claiming in an Indian newspaper interview that he is not sure what a casino is.

"I don't really know except that one hears people play roulette, cards, and other games, have a drink, gossip."

Q: "What are other games?" A: "Certainly not cabarets, massage parlours...no no I am against all this."

And so the debate will continue. The consensus is that Indians will be banned, and the dens of iniquity will somehow be "off-shore". It is not clear whether this will mean hidden on the Andaman Islands, India's distant ocean territory near the coasts of Burma and Thailand, or put in a ship off the holiday beaches of Goa.

**Cheysson piqued**  
Claude Cheysson, European Commission member for North-South relations and a former foreign minister of France, has topped the ratings for diplomatic pique in this gossip and highly political city, which is now welcoming its annual cool-weather tour of foreign tourists and official visitors.

Cheysson was due to come this month to review European Community aid of about \$100m a year. Meetings were arranged, including four ministerial interviews, one with Narayan Dutt Tiwari, veteran Finance Minister.

But a 15-minute session with Gandhi, who also holds the foreign affairs portfolio, did not materialise because of Gandhi's heavy list of engagements. Highly miffed over this 15-minute gap, Cheysson curtly cancelled the whole trip. He said it would be better to come another time when the "Foreign Minister" was available.

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AN INTERVIEW WITH THE PRIME MINISTER: By Geoffrey Owen and Malcolm Rutherford

# Thinking about the year 2000



MRS MARGARET THATCHER has more or less mapped out her plans for the course of British politics until the year 1992-93, so far as events are under her control. She has begun to think about what to do after that and is already looking for suitable ways for Britain to mark the second millennium.

The Prime Minister appears more strongly opposed than ever to attaching sterling to the exchange rate mechanism of the European Monetary System and in economic policy is seeking the maximum freedom of action.

She is opposed to any fundamental changes in western defence policy after the likely superpower agreements on the reduction of nuclear weapons and believes that Britain is still a global power.

At the meeting of the European Council in Copenhagen next week she will seek an unbreakable guarantee that farm surpluses will be reduced and that spending on the common agricultural policy will be cut back. She is also canvassing a new proposal which, if adopted, would enable existing farm subsidies to be written off overnight by national governments and the common agricultural policy to start afresh with a clean slate.

Those were some of the main points to emerge from an interview with the Prime Minister on Friday.

Mrs Thatcher denied categorically and repeatedly that there was any exchange rate target for the pound, whether against the D-Mark or any other currency or basket of currencies.

"At the moment," she said, "everyone is geared to the D-Mark, save us. The DM at the moment is slightly deflationary. That means that the whole of Europe is geared to a slightly deflationary policy. Now, we have not been so geared and we have had a greater degree of freedom in relation to both the dollar and the D-Mark and I just think that I am grateful for that."

She rejected completely the notion that the pound was tied at least unofficially, to a rate of just under or around DM5.

"There is no specific rate," she said. "We are always free."

Presenting the rate policy, she argued, was quite different from "actually getting yourself on graph paper and saying 'I live within these few boxes' and then letting people test you as you come up to a top. We are not confined to any particular limits and I do not like to be, because to do that is to tempt people to have a go and you cannot beat a speculator except over a short period."

The Prime Minister was reminded that in an interview published in the Financial Times on November 19 last year she had said that a principal reason why Britain could not become a full member of the EMS was that the domestic economy was still

too weak and might have to come out again under speculative pressure.

She replied that the economy today was certainly strong, but added that, from her experience of recent times, she thought "We have been freer and perhaps been able to be more helpful than we could have been, had we been under the exchange rate mechanism."

It was one thing to run your exchange rate "near to something" near to one particular band, for a period. It suits everyone knows that you are not constrained by that band and you can come off it today or tomorrow if you wish."

Mrs Thatcher was also sceptical about the possibility of a more managed international exchange rate system working because, she said, no such system "can be a substitute for sound running of economies." It would work "only when you are all running your economies in a similar sort of way."

She said she had repeatedly throughout the economic section of the interview. As in her speech to the Lord Mayor's banquet in London last Monday, she again called for stimulative action from West Germany and Japan. "No-one is entitled to have a balance of payments surplus entrenched in the way in which they run both their economy and also their society - or if you like to put it their culture, because if that deficit goes down, it means that the rest of us would have to carry a bigger proportion of the can than we should."

On defence policy the Prime Minister reaffirmed her view that, after a superpower agreement on the elimination of intermediate nuclear forces and a possible agreement on the reduction of intercontinental ballistics

missiles, "There must be no further nuclear weaponry taken out of Europe before we get the Soviet Union much further nearer to us on conventional weapons and before we see whether we can in fact get a verification system and the Soviets agreeing to eradicate their chemical weapons because we have eradicated ours."

Mrs Thatcher dismissed completely any suggestion of an American military withdrawal from Europe. "The frontier across Germany," she said, "is the frontier of freedom for the US as well as for Europe."

She also argued that British defence policy was fully supportive of the US around the world and not just in the Nato area. "We had the best minesweepers and they are busy sweeping mines in the Iranian Gulf. We have troops on Belize, Cyprus, Sinai over to Hong Kong, in Africa, in the Gulf, indeed we have troops in one form or another - some as military advisers and trainers - in 30 countries in the world and of course in the Falklands, and that means that we are still a global power and we do our bit."

The presence of the troops in Belize, she went on, demonstrated to the US how Britain understands what Americans feel about some of the threats from Central America. It keeps a stable democracy there right on the Central American front."

Asked whether there was still a special relationship between Britain and the US, the Prime Minister replied: "Very much so." She gave some credit to France for also taking part in defence activities outside the Nato area. "Then she added: 'The best possible thing of course, which I cannot see happening, would be for France to rejoin Nato, militarily integrated.'"

In a reference to recent moves

towards closer defence co-operation between France and West Germany, she said: "What I think that we have to watch is that there do not grow up sub-structures in Europe which could have unwittingly undermined the links across the Atlantic Alliance. I think it is important that those (Franco-German) arrangements do not take on wholly a higher life of their own."

Mrs Thatcher's comments on what she clearly regards as an undisciplined approach to expenditure by the British Ministry of Defence were expressed largely in mine: a sharp withdrawing of the cheeks and an extended out-drawing of the breath. She said quietly: "There was something called Awas and Nimrod."

There was a warning for the future. "As I am constantly saying to our defence people, just make certain that you do not waste anything, and you will just about get the same amount of money as you have been getting in the past."

On the European Community and the key meeting of the heads of government in Copenhagen next week, the Prime Minister said that the Prime Minister's view of agriculture, coupled with Community financing, were "just about the long and the short and the all of it."

The basic point is that the Community is now up against the limit of its permitted expenditure and that Mrs Thatcher will not agree to an increase in existing policies and rules. However, she has an alternative and more radical proposal that she is understood to have put to Mr Jacques Chirac, the French Prime Minister, yesterday.

If there were no progress, she went on, there would be no

increase in the Community's financial resources. Spending would have to be determined on a monthly basis while the negotiations were continued until the next European Council.

There are two possible approaches that the Prime Minister says that she can support. One, being canvassed by the European Commission, is to apply a system of 'stabilisers' to all agricultural products. Stability means setting production ceilings and progressively reducing the subsidy if the ceilings are exceeded. If adopted in an enforceable way, they could result in the surpluses being reduced to an agreed strategic level by 1992, a year that Mrs Thatcher regards as "exciting" for a number of reasons.

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solution that bypasses the traditional workings of the common agricultural policy. On domestic policy the Prime Minister showed some anxiety about inflation. She found it "worrying" that over the last four years "it seems to have fluctuated between about 3 and 5 per cent." The aim was still to get it down further and the Government had used higher interest rates in August as a sign of its intent.

She also claimed that inflation was unlikely to go on being fuelled indefinitely by such factors as higher house prices in the south east. The process, she said, should be "self-correcting."

There is a great incentive to companies now to move further north because salary-for-salary their people will have a much higher standard of living...it may take three, four, five or six years...the Birmingham area is not very far away; they might go

further still." Mrs Thatcher was adamant that there would be no abolition of mortgage tax relief. "I think you may take it," she said, "that it is pretty well out."

The reasons why she regards the year 1992-93 as potentially so exciting are manifold. The internal market of the European Community is due for completion by 1992, as well as the overhaul of the CAP even by the slower route. "It is just very fortunate that the next year you should get the Channel Tunnel open and, really, as far as we are concerned, (Europe) should become a much greater reality."

There may also have been developments at home. In previous interviews with the Financial Times, Mrs Thatcher has given her views on the state of domestic politics and the opposition parties. This time there was a lengthy pause before she said: "Do you know, I have not really given that very much attention because I am so much more concerned to carry on with our own policies, to get those well ahead...and then to start on the next Parliament."

She thought that British opinion might have turned subconsciously against coalitions because of what it saw on the continent.

Being coalition-free, she claimed, "gives us a freedom of decision, decisiveness, leadership, that others are not free to exercise."

She went on: "We have got really enough to do within four years now and quite a lot that comes on next, and then, almost every western country is going to think of trying to get some special attainment going by the year 2000, you have got to make it some kind of target. It is a natural target."

Asked what the attainment would be, she said: "I do not know. That is what all of us are trying to think of now. It will be something that involves everyone, every kind of small town and village."

To the question whether she would still be Prime Minister in 1993, she replied: "Well, one would like to be, but it does not wholly depend on me. At the moment we have got past one milestone, you know, you see them stretching out before you, and each one gets more exciting."

Mrs Thatcher ended in full flood with a long statement of her belief in restoring the values of the Victorian age. The prosperity of the south was moving north - to Manchester, Nottingham, Bradford.

There had been a civic pride in the past that had led the city fathers to may that prosperity and beautiful town halls were not enough. They had gone on to set up libraries, orchestras and art galleries. They were "almost city states - a complete ideal." That was what she wanted to happen again.

## Abolition is the only option

From the Director of The National Association of Port Employers.

Sir, Your leader on the need to review the operation of the Dock Labour Scheme (November 16) was timely indeed. It is astonishing that such a restrictive piece of employment legislation still remains on the Statute Book after eight years of Conservative free market policies.

The port employers, burdened by the restrictions of the Dock Labour Scheme, are grateful that you have pointed out some of the glaring deficiencies that result from the operation of the Scheme. I hesitate to be critical, but I think it is important that we resist the faint suggestion in your final paragraph that some reform of the Scheme would substitute satisfactorily to a complete abolition. The port employers, desperate to remove the Scheme, but wishing for it to happen without major confrontation, have been looking in detail at the way in which repeal of the Dock Labour Scheme might be promoted to Government, meeting both political, social and industrial aims. We are forced to conclude that there is no substitute for outright abolition. Every possible alternative has been looked at, including freezing the Scheme, to extending registered dock workers, and amending its operation so that some of the functions of management, such as recruitment and discipline, could be returned to proper management control. None of the lesser solutions work satisfactorily. The choice is really quite stark, and frankly cannot be continually avoided by a "blind eye policy." As the registered dock labour force grows old together, so inevitably recruitment must follow; and with it will come the prospect of perpetuating the inflexibility and rigidity of labour controls in 70 of Britain's major ports.

"Withering on the vine" is not a realistic option, because it ultimately condemns all of these vitally important geographic areas to unnecessary decline and deterioration. Water front flats only create temporary jobs. The exploitation of the land/water interface with a better mix of industrial/tourist and leisure activities would be faster, and would create more jobs if the future investor no longer had to worry about outdated "definitions of dock work." The Government should make these a reality of the past.

The port employers are ready and willing to discuss how the transition to normal employment conditions can be handled without severe disruption to the lives of today's registered dock workers. They cannot do that until the Government has signalled its clear intention to remove the Scheme. Only then, when the Scheme has been finally put to rest, can the true modernisation of employment relationships

## Letters to the Editor

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take place in the Scheme ports, and an end be brought to the first and second class port worker (created by a statutory demarcation line) which does so much to harm motivation and enterprise.

Nicholas Finney, Commonwealth House, 1-19 New Oxford Street, WC1.

Irish American shock and dismay

From the Attorney General for the Commonwealth of Massachusetts.

Sir, As a former Member of the United States House of Representatives who was active in working to promote religious equality in Northern Ireland, I was pleased to discover that the British government is to strengthen its sanctions against Ulster employers who unfairly discriminate against Catholics. As the Attorney General for the Commonwealth of Massachusetts, I know that requiring employers who do business with the government to adopt provisions ensuring non-discrimination in hiring is one of the most effective means of ensuring equal employment opportunity. Our experience in the United States has shown that monitoring contract compliance can work quickly to eliminate discrimination on the basis of race, gender and physical disability. Contract compliance, and its results, have proven almost universally popular. Not only minorities, but business and the economy itself benefit from a system of equal opportunity. A suggestion by the Reagan Administration that federal contract compliance be curtailed was vigorously opposed by the business community; the confirmation battle over Judge Bork has demonstrated, no one in the US wants to return to the old days of prejudice and discrimination.

While encouraged by your Government's plans regarding Northern Ireland, I was shocked and dismayed by a recent bill which will actually prevent local governments from requiring non-discrimination provisions for women and the disabled, laws which will restrict such provisions with regard to racial and ethnic minorities. How can the Government on the one hand condemn discrimination against Roman Catholics in Northern Ireland, and institute a well tried and effective weapon against it, while on the other hand prevent the use of that weapon to combat other forms of pernicious discrimination? Is the Government claiming that no barriers exist to equal employment opportunities

for racial or ethnic minorities, women, or the physically disabled? Or is something else happening?

As you know, we in the United States have been called for economic sanctions against Northern Ireland. One wonders if providing relief from discrimination for Catholics while denying it to others is not in part the result of pandering to American opinion. There may be a view in Whitehall that "all the fuss" from Washington about equality of opportunity is simply the parochial concern of Irish Catholics. Americans, if so, I am deeply offended. We Irish Americans can take little comfort from the redress of one type of discrimination while knowing that others will be tolerated. We are not so selfish and small minded.

It is my understanding that the American Association of Manufacturers has actively opposed the ending of the contract compliance standards in the United Kingdom. I urge the British government to listen to their arguments and to consider the American experience. Fair employment is not only a moral imperative, it is good business. James M. Shannon, Office of the Attorney General, 1 Ashburton Place, Boston, Massachusetts.

Private savings affect US deficit

From Mr Simon Taylor.

Sir, Mr Paul Craig Roberts (November 11) takes a sanguine view of the US budgetary position. He correctly points out that a large public sector deficit need not be associated with a trade or current account deficit. This is obvious enough: the proposition that budget deficits produce current account deficits requires an auxiliary assumption about the private sector's net acquisition of financial assets. The International Monetary Fund and - in days past - the Cambridge Economic Policy Group have been known to adopt such an assumption. But it is the overall international flow of funds, and the real economic variables that cause them, that need to be addressed. The low private saving of the US and the private saving of Japan therefore become highly relevant. Nobody wants policymakers to lead the world into recession as an antidote to the US deficit.

Regrettably though, the US, collectively can only import savings from the rest of the world if the rest of the world is able and willing to lend them.

This simple relationship underlies the whole policy debate. Simon Taylor, London School of Economics, Houghton Street, WC2.

Japanese strategy and the crash

From Mr Alan F. Bartlett.

Sir, As usual we are facing the wrong way. The basic cause of the 1987 stock market crash is not within the control of the West, nor even of the Federal Reserve of the United States. It lies buried in the international strategy of Japan.

It is no coincidence that it happened within a year of the Big Bang that event transformed the world's stock markets into a sophisticated currency exchange system whose commodity is printed paper.

Over the years Japan has induced the US, by its generous financial support and the creation of a Japanese controlled manufacturing empire within the US itself, to enjoy an unearned deficit. Their solution has been to offer the Americans a substantial loan "in yen." And therein lies the rub. Since this offer has been accepted, then the almighty dollar will have relinquished its crown to the subervient but ubiquitous yen. Japan will be well on the way towards its primary strategic target: control of the world's monetary system.

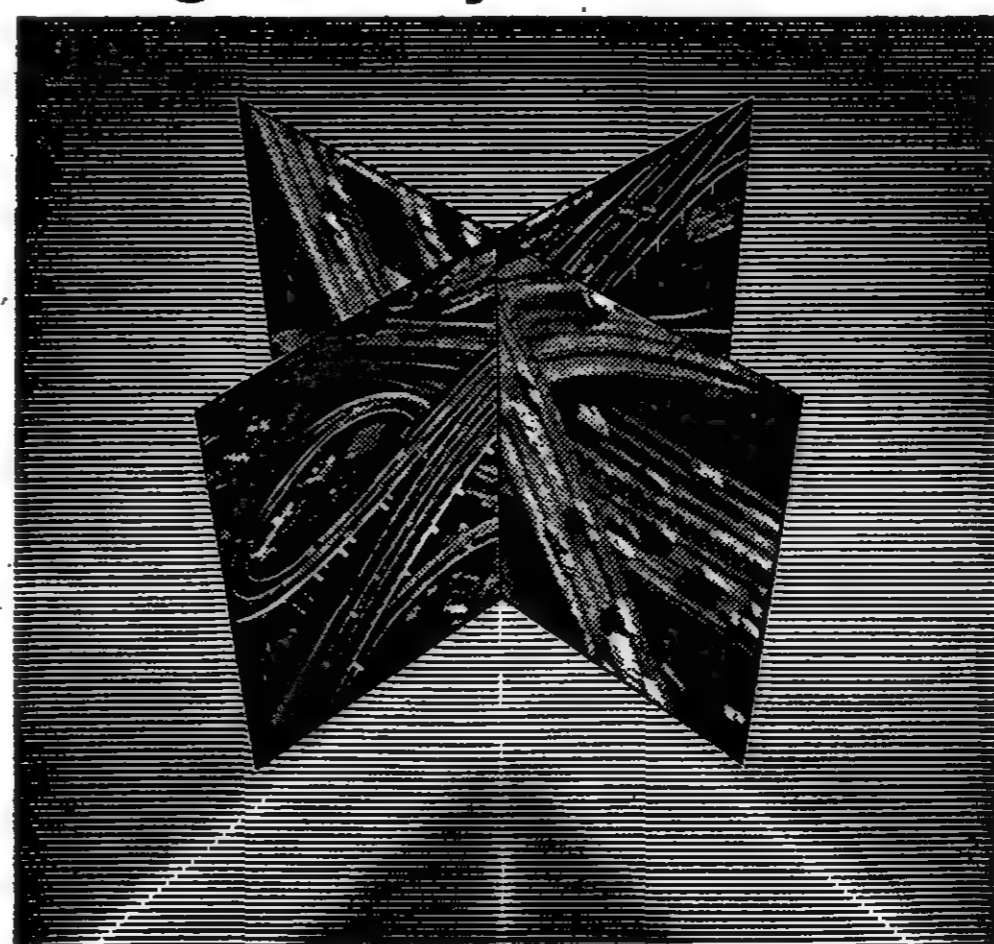
A reduction in the US budget deficit will merely change the date of problems only because it is assumed to be the cure. In truth, it will not. Indeed, should the President bow to political pressures and look straight into the welcoming eyes of his Japanese saviour.

The true problem is that Western politicians cannot command even influence, let alone control the Japanese economy: they are beyond the influence even of the Japanese politician. So our representatives seek an easier target.

The cause of the 1980s crash will be labelled the UK deficit; the direct result of continued high expenditure despite the diminution of oil revenue. Who else but the Japanese to bail us out? Then the sun - which now never sets on share dealing/currency manipulation - will not set on the new Japanese monetary empire to which we, by our current ineffectiveness, will have made an invaluable contribution. The Germans will survive a little longer, but the only realistic competitors left could be the Chinese, though they will depend on the yen on the brought about by Japanese affluence than on their own economic strength. The US budget deficit is as much an effect as the crash itself. The cause of both is the West's inability to match the economic strategy of the East. We have lost a battle because we do not even realise we are at war.

Alan Bartlett, The Coach House, Lyford Road, Chilton, Bristol.

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Janet Bush on Wall Street

## Cracks in the smiling facade

THE CALIFORNIA Public Employees Retirement System, one of the largest public pension funds in the US, with more than \$40bn under management, announced last week it was going international for the first time.

The fund has appointed 12 money managers, several of them based in London, and from about the middle of next year will hand them collectively between \$1bn and \$1.5bn to invest in portfolios balanced almost equally between overseas equities and fixed income securities.

Those who may see this historic decision as a defensive strategy in the face of last month's Wall Street collapse, and as a pessimistic view of the US economy, would be wrong. Pension fund managers simply do not move that quickly - the decision, according to Mr Basil Schwan, assistant executive officer for the fund based in Sacramento, California, was taken two years ago.

Nevertheless, Mr Schwan acknowledges that the decision looks even more rational in the light of last month's share price collapse, which has led to more urgency to efforts to spread risk not only between fixed interest and equities but also between countries.

The decisions over the past fortnight by two substantial US companies - Boeing and Rockwell International - to cut back severely the equity component of their pension funds did not, on the face of it, seem to have been the product of a long-thought-out strategy.

Indeed, other participants in the pension fund business appeared to treat their action with something akin to derision. A leading pension fund expert expressed the view that any company which attempted to make a judgment on future market trends with precise timing, was deluding itself.

In the same vein, a leading consultant to pension fund sponsors and fund managers, commented on Boeing's strategy: "I would stand by their judgment as George Bush stands by Ronald Reagan."

In the context of pension funds, which view the world in 40-year chunks, Rockwell's order to cut the stocks in their portfolios to sell within two weeks seems radical indeed. Some estimates suggest that 76 per cent of Rockwell's \$7bn fund was made up of stocks.

(Those who may want to give Rockwell the benefit of the doubt could point to a strong rebound in the Dow Jones Industrial Average that day to 1980, and argue that the company gave its order to sell at a very fair price.)

Boeing said it had been selling equities since July. However, the company tacitly acknowledged that the programme had been stepped up since October 19.

Those in the business who know Boeing well, including one of its fund managers, do not see the company's move to sell a substantial proportion of its equity portfolio as a knee-jerk reaction to the events of October 19, but as a decision taken calmly and based on a rational view of the world.

Nevertheless, Rockwell and Boeing appear to stand alone - there has been no evidence of substantial shifts in other pension fund portfolios other than the shift forced down fund managers' throats by the global equity crisis.

Mr Schwan said he and his colleagues at the California Retirement System had been buying stocks ever since the day after Black Monday on the old adage, "buy high and sell low".

Mr George Russell, chief executive of the Frank Russell group, an investment consulting business which advises the people who control \$300bn in pension funds and other assets, believes institutions will re-enter the market once the dust settles.

Those funds which, on the day share prices collapsed, were looking at an ideal balance in their portfolios, would naturally now be underweight in equities after the slashing in share values. Unless they have made a fundamental reassessment of comparative risk premiums between equities and fixed interest, they should start buying again.

This "business as usual" view of life is quite prevalent in Wall Street and its satellites. Nevertheless, there are cracks in this smiling facade. One crack appeared to widen at last week's meeting of 85 leading corporate pension fund officials at the Waldorf Astoria Hotel in New York, who were complaining even more vociferously than usual about the enormous brokerage fees they have been paying - this at a time when securities houses are already under tremendous pressure.

## EC bids to break budget deadlock

BY TIM DICKSON AND QUENTIN PEEL IN BRUSSELS

CRITICAL TALKS to resolve the European Community's chronic budget crisis, and put strict limits on farm spending, reopened in Brussels today, offering virtually the last chance of reaching agreement in time for next month's EC summit in Copenhagen.

New ideas to break the deadlock between the Agriculture Ministers and the Foreign Ministers of the 12 member states will be presented at parallel meetings.

The soaring cost of the Common Agricultural Policy, currently almost Ecu 27bn (\$31.5bn) a year, on two-thirds of the total EC budget, remains at the heart of the crisis.

However, it has spread to include the crucial questions of who bears the burden of the budget, what other cash will be devoted for new policies, and how spending control can be enforced across the board.

Key issues to be resolved are the exact limits to be set on subsidising farm production in each individual sector; the overall amount of cash available for farm spending; how much more should be set aside for social and regional policies in the poorest member states; and whether the member states can devise a fairer and more reliable basis for calculating their contributions to the Brussels budget.

The problem facing Denmark, currently in the chair of the EC Council of Ministers, is to get simultaneous agreement from Farm Ministers on detailed production controls for all major crops, and from the Foreign Ministers on overall spending limits and a new system of cash contributions to Brussels designed to finance the Community until 1992.

Mr Laurits Toornes, the Danish Agriculture Minister, will present a new compromise today to the other Farm Ministers in an effort to break the continuing deadlock on how to reform the Common Agricultural Policy.

## UK and France united over crisis

BRITAIN and France are united in their desire to secure agreement on the European Community's farm surplus problem at next month's community summit in Copenhagen, Mrs Margaret Thatcher, the British Prime Minister, and Mr Jacques Chirac, the French Premier, said last night after talks in Paris, writes Ian Davidson.

But the two prime ministers did not indicate that their talks had led to any material narrowing of their detailed differences over the right way to settle the Community's budgetary and farming crisis.

Mrs Thatcher concentrated her remarks, at a press conference with Mr Chirac, on the importance of dealing decisively with the farm surplus problem.

The plan is partly aimed at being fair to recent community entrants like Spain and Portugal, but may raise concern among smaller member states at the traditional structure of the CAP being by-passed.

The proposal has been advocated as a faster "clean slate" alternative to the system of stabilisers, or enforceable production ceilings.

Widespread allegations of a Franco-German axis to disrupt the Farm Council have yet to be proved, but both countries have their own reasons for being distinctly unenthusiastic about signing up to an accord.

Next year's French presidential elections, for example, are widely thought to be inflicting the stubborn tactics of Mr Francois Mitterrand, the French Agriculture Minister, and there is a growing suspicion that he and Mr Jacques Chirac, the Prime Minister, would prefer President Mitterrand to take the political risk for any EC deal at the Copenhagen summit.

Mr Guillaume last week advanced his own alternative to the European Commission proposals for stabilisers, proposing to penalise farmers initially for excess productivity with a special levy, and only later impose across-the-board price cuts.

British calculations suggest the plan would allow an extra 10m tonnes cereal production on top of the proposed 165m tonnes per year maximum currently proposed.

Mr Ignaz Kisch, the German Agriculture Minister, is conversely determined to avoid price cuts wherever he can, and wants to put more emphasis on the Commission's latest plan for a "set-aside" scheme. This would involve paying farmers to take land out of production and thus grow less, but it is seen in Brussels as being complementary to, rather than a substitute for, price cuts.

If the Farm Ministers fail to make progress on agricultural stabilisers, the Foreign Ministers may well be syzygy in putting together a complete package for Copenhagen.

Their talks on switching the system of national contributions from a value added tax base, to a more equitable system linked to gross national product, are being watched by Italy and the Netherlands, both of whom would lose out.

However, any delay in changing the system will leave a continuing problem of the British budget rebate to be resolved, without which Mrs Margaret Thatcher, the British Prime Minister, has made it clear she will block any conclusion.

The farm ministers' talks are expected to last well into the week, while the foreign ministers have been warned they may have to return to Brussels next weekend for a final conclusion to prepare the summit scheduled for December 4 and 5.

## the farm surplus problem

Two things needed to be settled together: an end to the build-up of new surpluses, and an arrangement to deal with existing ones.

The two premiers said there were no differences between them on the importance of a system of "stabilisers" or enforceable production ceilings to control surplus production; but there were still disagreements over the size of the increase in the Community's budget, and over France's support for an oil and fats tax.

But Mr Chirac emphasised the convergence between the two countries, even on farm policy.

"I share completely the British desire to reduce the price of cereals," he said.

The critical reactions are expected to be those of France and West Germany, whose agriculture ministers last week made it clear they were not prepared to press ahead with reform regardless of the overall budget deal being negotiated in the Foreign Ministers' Council.

But the UK Government has said that a whole system of "stabilisers" in agriculture is an essential part of any budget deal, including precise figures for every crop or product.

The British Government has also begun to float an alternative "clean slate" approach, aimed at reducing existing agricultural surpluses.

The stock reduction plan would relieve immediate budgetary pressures in the community. It would involve member states writing off existing surpluses, and would operate through their national budgets rather than through the Common Agricultural Policy.

Investment firms' applications for authorisation will have to be approved by the board, estimated that at least three months would be required after the closing date for applications to be processed.

Mr Maude, therefore, proposed that the closing date for applications should occur in the first half of January.

The UK Government is resisting proposals for further delays in the date for authorisation, particularly as it had originally planned to bring the Financial Services Act - the legislation responsible for these arrangements - into force in early 1987.

However, none of the SRO rulebooks has yet been submitted to the board in its final form for approval. Even when that hurdle is passed the rulebooks have to be examined by the Director-General of Fair Trading. He is expected to make several criticisms and proposals for amendments to Lord Young, the Secretary for Trade and Industry.

Consequently, the original date for applications to be in, only seven weeks away with the Christmas holiday intervening, is seen as unrealistic.

Investor protection a test-case affair, Page 12

thing that "involves everyone, every kind of small town and village. Some will take it as building, some as destruction. The same as the environment, not only cleanliness and everything like that but a kind of beautification." She drew a picture of a town with trees after last month's hurricane.

Mrs Thatcher said people had to start to prepare for it, "because Heaven knows one might be twanging a harp by that time."

through the Common Agricultural Policy. She described this as a "possibility" which would have the advantages of dealing with surpluses and stopping them piling up again.

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The US, however, has put heavy pressure on other importers, especially Japan, to join the embargo and, although they have not yet done so, they have indicated a willingness to refrain from increasing their purchases.

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It is by no means self-evident that a 25 per cent decline in equity values over one week is more damaging to the economy than a decline stretched over two years. But although many of the US Government appointees currently deliberating the Crash of '87 do doubt believe that the market is now at a more sensible level, the hair-raising journey there is not regarded as a triumph of automatic execution. So, if the behaviour of the market on the way down (as opposed to the way up) is defined as the problem, a solution must be found.

To an extent the reintroduction of friction into the market is happening automatically, as futures markets impose higher margin requirements and the price of options and other hedging instruments rise to account for the higher risk. However, the putative re-regulators, casting an envious eye on Japan, are surely right not to trust the markets to stay on their best behaviour.

Computers do not answer back, but their programmes certainly do. They insist that computer selling, program trading, portfolio insurance, and low margin futures trading, cannot be blamed for the collapse in most markets outside the US. The Wall Street ripple effect could, in fact, pass on some of that blame, but it does seem illogical to accuse portfolio insurance of not working while simultaneously blaming it for the crash.

The mood at BCal has been soured by the plans to cut at least 2,000 jobs from the combined airline - and perhaps 500 to 1,000 more if BA did not resign the BCal licence. It has promised to relinquish and then reapply for it if the takeover goes ahead.

BA's plan to confine the British Airways name to the combined group's charter operations has also raised hackles. This was BA's intention from the start, although perhaps not one shared with Sir Adam before the original agreement was reached in July.

will be more constrained by slow expansion of export earnings. The commission points out that it is likely East European countries will have to import more Western goods as their domestic economies expand.

Advanced engineering goods, for example, are needed to support the restructuring of industry, which has been given priority in the current five-year plans of all Eastern European countries.

Nonetheless, the commission believes it is unlikely that East European countries will substantially increase their borrowing in the West to finance import demand.

Mr Ardebili said: "We are witnessing a consensus emerging among OPEC members for a higher oil price at the meeting as the dollar's value declines further after the stock market crash."

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THE LEX COLUMN

## Computers on trial

With a national holiday in Japan today, and the US celebrating Thanksgiving on Thursday, it is likely that trading in the world's financial markets will continue at its recently subdued pace in the near term. Friday's compromise over the steps to be taken to cut the US budget deficit has been greeted with a healthy amount of scepticism, but the fact that some sort of agreement was finally reached may be sufficient to boost sentiment in the short-term, at least. The markets have been focusing myopically on the outcome of the budget deficit negotiations during the past few weeks, and the semblance of an agreement may mean that the focus of investor concerns now switches to debating the prospects for a US recession. So far, the word from Main Street America is less bullish than the message coming out of Wall Street, and in the UK, the latest CBI survey - the first since last month's share price collapse - shows that industrial confidence remains surprisingly strong despite the carnage in world stock markets.

Market regulation

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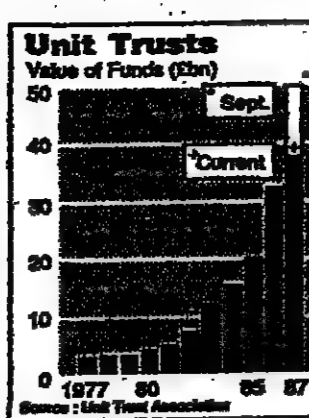
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is one popular response to the futures problem. However, it would lower liquidity and damage the arbitrage function, and those who persevered in the market would have to liquidate even larger lumps of underlying stock to buy the contracts. If it was purely a speculators' market this might not matter, but it is also used by respectable market-makers to control risk. What might help is higher capital adequacy requirements for futures markets, flexibly linked to size of position and extent of market volatility. That should also be supported by a re-affirmation of one-day fall limits.

The UK market fell even more sharply, partly because it did not have the benefit of substantial corporate share buy-back programmes, which cushioned the fall in the US market, and perhaps because with less face-to-face dealing, market-makers were more susceptible to herd instinct. But the higher exposure of pension funds to equities must also have had its effect. As long as it is acceptable for pension fund managers with 30-year liabilities to bet huge amounts of capital on weekly inter-market movements, no amount of computer plug-pulling will control a sudden shift in sentiment. The lesson of last month's crash seems to be that there is too much investor intervention in short-term asset allocation but not enough in the minute-to-minute decisions dominated by computers and market-makers.

## Fund managers

One of the best ways to profit from a bull market is to invest in the shares of fund management companies and well-known names in the US or Henderson Administration in the UK, which were star performers in the late bull market. By the same token, they have been among the worst performers over the past month. The big fear for UK fund managers is that the collapse in share prices will mark an end of the phenomenal growth of unit trusts which probably provide over half the profits of a typical manager. Although there are wide variations, between 50 per cent and 70 per cent of a unit trust manager's expenses are covered by annual fees and the rest comes from sales charges and dealing profits. According to a recent study by Warburg Securities, dealing revenues alone, an account for nearly a third of the profits of some firms, which explains why the SIB's recently proposed changes in unit trust operations could not have come at a worse time.

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## World Weather

Area	Temp	Wind	Cloud	Precip
Antarctica	-10 to -20	10-20	0-100	0-10
Arctic	-10 to -20	10-20	0-100	0-10
Asia	-10 to -20	10-20	0-100	0-10
Australia	-10 to -20	10-20	0-100	0-10
Europe	-10 to -20	10-20	0-100	0-10
North America	-10 to -20	10-20	0-100	0-10
South America	-10 to -20	10-20	0-100	0-10
Africa	-10 to -20	10-20	0-100	0-10
Oceania	-10 to -20	10-20	0-100	0-10

## Iranian oil exports hit

Continued from Page 1

announced in move in the summer, and Washington reacted by threatening four weeks that Iran would not have under difficulty in finding alternative buyers.

The US, however, has put heavy pressure on other importers, especially Japan, to join the embargo and, although they have not yet done so, they have indicated a willingness to refrain from increasing their purchases.

Mr Hussein Kazempour, Arabi, Iran's deputy oil minister, said yesterday a price was emerging to replace OPEC's

barrel, Reuters reported. The 13-nation OPEC cartel meets in Vienna on December 9 to review the existing pact pegging the benchmark at \$18.

Mr Ardebili said: "We are witnessing a consensus emerging among OPEC members for a higher oil price at the meeting as the dollar's value declines further after the stock market crash."

There were indications that Saudi Arabia and Kuwait were also considering a price increase, he added.

INTERNATIONAL BONDS

**Euroyen sector puts in a good performance**

THE EUROYEN market stood out as possibly the most active sector in an overall dull Euro-bond market last week, with dealers unable to shake off their obsession with the protracted US budget deficit reduction talks, writes Clare Pearson in London.

Prices in the Euroyen sector rallied strongly, partly reflecting the strength of the currency against the dollar and partly the thin supply of paper.

Yet a third factor was needed to push prices as much as ¼ percentage points higher at the short end, and more than a full point at the longer end.

This was an escalation of buying orders from institutions switching out of Japanese government bonds.

The impetus, dealers said, was growing concern about a measure by the Japanese Ministry of Finance, which is due to come into effect next April, to stamp out withholding tax evasion.

The matter became immensely

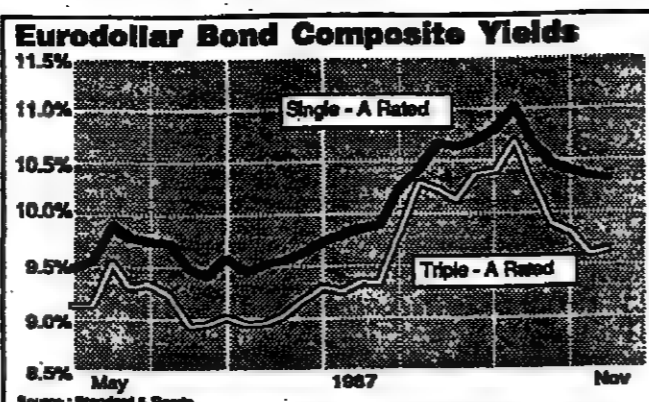
confused in the market as various versions circulated of what the measure would entail. However, the overall effect was to cause a flight into the Euroyen sector, where the tax position was not in question.

The aim of the change in the tax law is clearly, dealers said, to stamp out "coupon washing" by financial institutions in Japan, which are liable to 20 per cent tax on interest, though not registered government bonds.

Until this change, financial institutions in Japan have been able to "wash" bearer coupons by entering into repurchase agreements with tax-exempt institutions, temporarily getting rid of the bearer bond during the coupon payment period.

But dealers said that it was clear that this loophole was to be closed, although the details of the measure and how it was to be monitored were sketchy.

The combined effect of widespread confusion about the change in the taxation position



of Japanese government bonds, and the lack of supply in the market, was to push Euroyen prices up in buoyant trading.

Dealers said the market was now ripe for a new issue and on Thursday hopes were running high that Belgium had decided to transfer at least part of its projected refinancing of a \$400m

floating rate note to the Euroyen sector.

In the event, all that emerged was a \$200m bond for the Mortgage Bank of Denmark.

The Eurosterling market was similarly buoyed up by currency strength and lack of recently issued paper, and prices rallied by around 1 percentage point

EUROCREDITS

**Fecsa deal triggers swift return of Spanish**

SPANISH BORROWERS are wasting no time in gaining access to the international loan market now that a preliminary agreement has been reached to restructure the debt of Fuerzas Electricas de Catalunya (Fecsa), the Barcelona-based electrical utility, writes Stephen Fidler in London.

The market has been effectively closed to them since Fecsa's problems came to light early in February and even though Fecsa's bank steering committee was not due to meet until today to discuss the debt restructuring plan, another utility, Hidro-Electrica Espanola, has decided the time is ripe to tap the market for \$200m.

However, as could have been expected, it is paying substantially more than it would have done a year ago to raise the funds.

Manufacturers Hanover is arranging the six-year new

money facility, which carries a four-year grace period. The margin being paid is ¼ percentage point over interbank rates, at least double what it would have paid last year at this time.

Elsewhere in the loans market, the rush among companies to arrange those flexible financings known as multi-option facilities continued.

UK companies have been quick to tap this market. According to figures from National Westminster Bank - by a large margin the leading bank in the business as far as UK borrowers are concerned - more than \$16bn in syndicated facilities were arranged for the UK private sector in the first nine months of this year.

With the bond and equity markets effectively closed for the moment as a source of new funds, the multi-option facility is coming into its own and many more are in the wings. "It's a switch back to banking," said

one enthusiastic banker last week.

But it is by no means a British preserve and the French are catching on to the idea. Two facilities, both with five-year maturities extendible to seven, were launched late last week, a \$600m financing for Snecma, the state-owned aero-engine company, and one for FF, 1.5bn loan for Havas, the advertising and media group.

The Snecma deal, for which Bankers Trust, Indosuez, Paribas, and Barclays have been mandated, looks very aggressive, even though it probably will not be drawn and the borrower is state-owned.

There is a facility for 4 basis points and a margin of 10 basis points over Libor for domestic French francs and Libor flat for Eurocurrency.

The utilisation fee is 2 basis points for up to 50 per cent usage over a three-month season-

ment period and 6 basis points if over half used.

The Havas deal, being led by Societe Generale, with Credit Agricole and Credit Lyonnais, carries a 12½ basis point margin and a 5 basis point fee if over half drawn.

In the UK, Mr Rupert Murdoch's News International is looking for a \$250m revolving credit over five years and has mandated Midland Bank to raise it.

The margin is ¼ percentage point over Libor plus reserve asset costs, with a commitment fee of ¼ points.

A three-year facility for Union Carbide, the US chemical group, being arranged by Chemical Bank, was increased to \$260m from \$250m.

Daiwa Bank's London branch is raising a \$100m five-year revolving credit, with a tender panel facility to issue certificates of deposit. The margin on drawings is 5 basis points, the facility

fee 5 basis points and a utilisation fee if over half drawn of 5 basis points.

In the Eurocommercial paper market, C. Itoh (Finance) arranged a \$130m facility through Manufacturers Hanover, and Hafslund of Norway a \$100m programme through Warburg.

**EUROMARKET TURNOVER (m)**

Primary Market	US\$	£	DM	Other
Nov	11.5	0.8	2.0	0.2
Oct	24.4	1.7	1.9	0.7
Nov	24.4	1.7	1.9	0.7
Oct	24.4	1.7	1.9	0.7

**Secondary Market**

US\$	£	DM	Other
21.3	1.4	1.7	0.6
21.3	1.4	1.7	0.6
21.3	1.4	1.7	0.6
21.3	1.4	1.7	0.6

Week to November 23, 1987 Source: AIB

**TCPL lifts stake in Encor**

By Robert Gibbons in Montreal

TRANS-CANADA Pipelines has raised its interest in Encor Energy, the former Dome Canada, to 10.6 per cent through market purchases, but says it will not raise its 10.6 per cent share bid despite rumours of a counter-offer.

A week ago TCPL, controlled by Bell Canada Enterprises, Canada's largest private sector company, said it would seek 100 per cent of Encor, potentially for more than \$650m (\$648m), allowing for its existing minority holding.

Encor refused, saying the bid was too low.

Dome Petroleum, which owns 42 per cent of Encor, declined to tender for the same reason. In the same week Amoco Canada Petroleum got agreement from most of the secured creditors to buy Dome Petroleum for \$55.5m, up \$240m from last April. TCPL made a competing bid for Dome Petroleum last spring but was rejected.

WEST GERMAN BONDS

**Dollar eclipses fear of withholding tax**

BY HAO SIMONIAN IN FRANKFURT

BARELY SIX weeks ago, who could have imagined that foreigners would so keenly be buying the DM 2½ issue of German Federal Government bonds (Bundesrepublik) launched earlier this month?

Then, with the shock of a new 10 per cent withholding tax from 1988 ringing in dealers' ears, the market was expecting foreigners to desert government bonds en masse.

Instead, Bunds seem as popular as ever. The world stock market crash has played a part, increasing the appeal of fixed-rate paper around the world.

But it is the fall in the US dollar which has really brought the foreigners back to such traditional havens as German government bonds.

"Withholding tax has become a non-issue," says Mr Dieter Werth, head of portfolio management and research at Manufacturers Hanover in Frankfurt.

"No one talks about it any more. The tax will not come into effect until 1988 anyway, and people are buying bonds nevertheless."

However, many of the other predictions made in early October about likely changes in the D-mark bond market have come about. Yield relationships between Bundesrepublik and D-mark Eurobonds (which will mainly escape the tax) have narrowed, as expected.

From 20-25 basis points before, D-Mark Eurobonds have approached and, at times, traded through, equivalent domestic issues.

On Friday afternoon the latest 6½ 10-year Bund issue, priced at 100½, was yielding 8.25 per cent against 6.25 per cent for the World Bank's 6½ per cent 10-year D-Mark Eurobond issued in July.

But the narrower spread has not meant that borrowers have deserted the domestic market in favour of D-mark eurobonds, as many had expected. That may come later, but in the short term, new D-mark eurobonds have been few and far between since withholding tax was announced.

There are plenty of reasons, aside from the turmoil in international markets. For a start, six weeks after word about the new tax first slipped out, German bankers are still uncertain as to how it will apply.

Issues by non-German borrowers will not be affected. But it remains only an assumption that bonds from German borrowers' foreign subsidiaries will not be affected until the finance ministry comes up with a firm ruling.

As a result, borrowers and investors have held back. The Japanese reaction is particularly telling; there have been no issues by Japanese lead managers since the first two ground-breaking deals on October 1.

Last month, Nomura told the securities arm of a leading German bank in Tokyo that it would buy no more D-mark eurobonds until the withholding tax issue was clarified.

Difficulties on the swap side have also dampened the market. "Issues depend very much on the swaps at the moment," says the syndications head of a leading US investment bank in Frankfurt. "It's not been possible to bring a decently-priced deal which would trade within fees."

Most important, downward interest rate expectations have persuaded many borrowers to bide their time. "Everyone is waiting. A discount rate cut is very likely at the next meeting of the Bundesbank's council," the syndicate manager says.

While D-mark eurobonds sit it out, will the present unexpected boom in Bunds last? "They are a safe haven in troubled times," says Mr Giles Keating, of Credit Suisse First Boston in London. "In the short term, it all depends on the value of the dollar," says Mr Ernst Drayss, an analyst with Deutsche Bank in Frankfurt. "If the dollar weakens further this week, the Bund market will turn friendlier."

It would only take a fall of slightly less than 1 pfennig in the dollar: D-mark exchange rate to wipe out the yield gain.

No wonder foreigners are buying Bunds.

**Amfac replaces chief as part of restructuring**

By Louise Kehoe in San Francisco

DIRECTORS of Amfac, the property, agriculture and food distribution conglomerate, dismissed Mr Ronald Sloan as president and chief executive at a board meeting in San Francisco on Friday at which plans for restructuring the company were presented.

Mr Sloan was replaced by Mr Henry Walker, the chairman who as chief executive from 1967 to 1973 presided over the diversification of the company from its roots as one of Hawaii's "big five" land owners.

This announcement appears as a matter of record only.

October 1987

**Türkiye Cumhuriyet Merkez Bankası**  
(The Central Bank of the Republic of Turkey)

**U.S. \$100,000,000**

**Medium Term Credit Agreement**

Arranged by  
**Bankers Trust International Limited**

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**Bankers Trust International Limited**      **The Sumitomo Bank, Limited**  
**Alahli Bank of Kuwait (KSC)**      **Mitsui Finance International Limited**  
**Australia and New Zealand Banking Group Limited**      **Den Danske Bank**

Managers

**Arab Banking Corporation (ABC)**      **Bahrain Middle East Bank (E.C.)**  
**Bank Bumiputra Malaysia Berhad**      **Diamond Lease (Hong Kong) Limited**  
**State Bank of India, Nassau**      **Union Bank of Finland Ltd**

Co-Managers

**Credit National**      **Nichijukin (UK) Limited**

Funds provided by

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**Arab Banking Corporation (ABC)**      **Bahrain Middle East Bank (E.C.)**      **Bank Bumiputra Malaysia Berhad**  
**Diamond Lease (Hong Kong) Limited**      **State Bank of India, Nassau**      **Union Bank of Finland Ltd**      **Credit National**  
**Nichijukin (UK) Limited**      **Banco Atlantico S.A.**      **Banco Hispano Americano, S.A.**      **Kuwait Real Estate Bank K.S.C.**  
**Frankfurt Bank AG**      **ASLK-CGER Bank**      **Banque Paribas (Suisse) S.A.**      **The Bank of India, Ltd.**

**Bankers Trust Company**  
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**£70,000,000**

**Transferable Revolving Credit**

Arranger

**S.G. Warburg & Co. Ltd.**

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**The Bank of Nova Scotia**      **Kleinwort Benson Limited**  
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**London Branch**      **London Branch**  
**Dresdner Bank Aktiengesellschaft**      **Gulf International Bank B.S.C.**  
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**The Rural and Industries Bank**      **The Yasuda Trust and Banking Company, Limited**  
**of Western Australia**

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**Orion Royal Bank Limited**

November 1987

## INTERNATIONAL CAPITAL MARKETS &amp; COMPANIES

David White on the prospects for Spain's first big bank merger

## Bilbao measures up to its EC rivals

BANCO DE Bilbao has overnight become the prime mover in Spain's banking scene. Since its surprise announcement last Thursday of merger talks with the larger Banco Espanol de Credito (Banesto), any doubts about its determination as a saviour have disappeared, and the Spanish stock market is bracing itself for the spectacle of its first large bid.

Advised by Salomon Brothers, Bilbao has made clear it is ready if necessary to mount a hostile bid for enough shares - 25 or 30 per cent - to take effective control of Banesto and set about building a Spanish banking group capable of measuring up to EC rivals.

Mr Jose Angel Sanchez Asain, the Bilbao chairman, has explicit government backing for the move. In top Socialist administration circles, it has often been considered that he could take on something bigger.

The first of a new, technocratic breed of bank chiefs - he took over 13 years ago, when he was only 45 - he is described by

Mr Felipe Gonzalez, the Prime Minister, as "one of the best-ordered brains in the business."

His argument in favour of greater size is in tune with thinking in the government, which sees a need for universal banks able to meet the challenge of foreign competition and the liberalisation of capital movements in the EC. Under its entry terms, Spain will lift its remaining restrictions on EC banks' activities after 1992.

Not since the late 1980s, when Spain was in the midst of an industrial boom but still had a very unsophisticated financial sector, have two large banks been in active courtship. Then it was Banco Hispano Americano and Banco Central. Now it is the turn of the other two of the four biggest banks to take the floor, with Bilbao leading an initially uncertain partner in the bulky shape of Banesto.

Marriage rumours have always abounded. But although the industry has become increasingly concentrated - thanks mainly to the failure of dozens of

smaller banks between 1978 and 1983, most of which re-surfaced as subsidiaries of the main groups - the big seven banks have kept to their bachelor ways.

The Hispano-Central talks failed, mainly because the Franco regime preferred to maintain a divide-and-rule system.

Two other factors have since stood in the way of big bank mergers: traditional rivalries and the problem of what to do with already outsized branch networks. According to the Spanish Banking Association, Spain's 16,000 commercial bank branches at the end of 1984 were more than in the UK, and the sector's 169,000 employees roughly the same as West Germany. Banesto alone had about as many branches as there were in the whole of Denmark.

The entry of more cost-efficient foreign banks has increased the need for downscaling. But the main Communist and Socialist trade unions are both strongly implanted in the sector,

and are preparing for a joint front against job cuts resulting from a Banesto-Bilbao merger, which they fear could affect 14,000 employees, a third of the total in the two groups. The political difficulty of making drastic cuts may well impede, or at least delay, the integration of the groups' Spanish retail banking activities.

In other spheres, however, Bilbao sees the bigger bank as complementing its own strengths. In particular, Banesto, up to now the least international of Spain's banks, has a natural partner in the Basque institution, which opened branches in Paris and London during the first world war - before it opened in Madrid - and now has 22 full foreign branches, mostly in Europe, against the two which Banesto has in the US.

Banesto's initial reaction has been to keep its distance but not to reject Bilbao's overtures. Mr Jose Maria Lopez de Letona, the former Bank of Spain governor who was brought into Banesto last year and is due to become

chairman next month, has never advocated big bank mergers, arguing that "efficiency is not necessarily a question of size." On the other hand, financial analysts question Banesto's capacity to organise an effective counter-bid.

Since last year, Banesto has been through a recovery programme after a crisis at one of its subsidiary banks, Garriga Nogues, a series of top management changes, and the recent arrival of two new powerful shareholders, businessmen Mr Mario Conde and Mr Juan Abello, with about 5 per cent between them and seats on the board. These two men's attitude will be crucial.

For the Spanish financial community, this is not just one unprecedented bid but the beginning of a merger process expected to affect other banks and insurance companies. Since it usually takes two to make a marriage, and since there are seven big banks, the bets are now being laid on which one will be left out.

NEW INTERNATIONAL BOND ISSUES								
Borrower	Amount m.	Maturity	As. Rte years	Coupon %	Price	Bank issuer	Offer price	
US DOLLARS								
Tyroler Motor Credit	200	1998	3	7	102.75	Stamps Stanley	6.50	
Nordic Ind. Bank (NIB)	150	1992	10	9 1/2	99.50	Salomon Brothers	9.93	
Yokohama Ltd. (YLD)	50	1995	8	7 1/2	100	First Chicago NK		
D-MARKS								
Ireland	300	1995	7	6 1/2	100	Commerzbank	6.125	
SWISS FRANCES								
DKB	200	1997	-	5	100 1/2	SWC	4.95	
Comptoir d'Escompte	44	1992	-	4 1/2	100	Kreditbank (Belgium)	4.25	
WTT	200	1994	-	4 1/2	100 1/2	SWC	4.22	
Alphabank	20	1997	-	5 1/2	100	SWC	4.25	
Nordic Ind. Bank (NIB)	100	1994	-	4 1/2	100	SWC	4.75	
STERLING								
Northern Telecom	60	1992	5	9 1/2	100 1/2	Barings Brothers	9.65	
ECUs								
LTCS of Japan	100	1994	7	8 1/2	101 1/2	Nippon Ind. Bank	8.85	
IMB Finance	100	1995	6	8 1/2	101 1/2	IMB Ind.	7.95	
LUXEMBOURG FRANCES								
Alphabank	300	1992	5	7 1/2	100	Bar. Finance (Lux)	7.65	
Kreditbank	200	1992	5	7 1/2	100 1/2	SWC	7.65	
World Bank (WB)	500	1992	5	7 1/2	100 1/2	SWC	7.37	
FRENCH FRANCES								
BFCE	900	1992	5	11 1/2	105.80	BFCE	9.77	
BFCE	100	1992	5	11 1/2	107.32	BFCE	9.89	
YEN								
World Bank (WB)	500m	1997	10	5 1/2	101 1/2	Monnet Sca.	5.47	
Nippon Ind. Bank	200m	1992	5	5 1/2	101 1/2	Salomon Brothers	5.85	
IMB Ind. Bank	100m	1993	5	5 1/2	100 1/2	LTCS Ind.		

\*Not yet priced. \*Offering price only. \*\*Priced placement. (a) Landed at US domestic bank. (b) Landed in three currency tranches. (c) Interest paid. (d) 100 Yen per US dollar. (e) 100 Yen under Japanese long-term prime rate (fixed annual). Notes Yields are calculated on 100 Yen basis.

## Hong Kong toymakers hit by WOW

By Kevin Hamilton in Hong Kong

FIVE PUBLICLY quoted Hong Kong toy manufacturers are facing heavy losses as a result of their exposure to Worlds of Wonder (WOW), the beleaguered US toy company.

The five companies are owed a total of more than US\$40m by the one-time high flyer of the US toy industry.

Kader Industrial, which is owed US\$5.3m, has confirmed that its exposure will plunge it into the red this year. WOW accounts for about a third of Kader's sales.

General Electronics, which has the largest exposure at US\$22m, said its forecast profit of HK\$116m for the year to March would be "significantly and adversely affected." WOW absorbed more than 70 per cent of General Electronics' sales last year.

Two other affected companies - Applied Electronics and Universal Appliances are owed US\$2.5m and US\$5m respectively. Wong's Industrial, meanwhile, says its exposure to WOW will have a negligible impact.

WOW executives have offered the Hong Kong companies equity in lieu of cash, but no price has been agreed.

## Paris studies ways to protect shareholders

BY PAUL BETTS IN PARIS

THE FRENCH government is attempting to revive popular interest in its ambitious privatisation programme, seriously interrupted by the stock market crisis, by studying new ways to protect small shareholders.

Mr Edouard Balladur, the finance and economy minister, has asked his advisers to draw up technical proposals to help attract support for future privatisations. Small shareholders, 6m of whom jumped aboard the privatisation bandwagon, have become increasingly jaded since the stock market crash.

Mr Balladur has so far made a vague proposal of introducing

what he calls a "system of convertibility." His advisers suggest this could involve either the use of convertible bonds or a novel system of convertible shares for future state sell-offs.

While convertible bonds have become increasingly common and popular, the concept of a share convertible into a bond has so far never been tested before in France - nor, for that matter, anywhere else.

But officials acknowledge that, however tempting the new convertible share concept may be, it is unlikely to be adopted by the government.

## Three-fold profits rise for Saga Petroleum

BY KAREN FOSBELL IN OSLO

SAGA PETROLEUM, the Norwegian independent oil company, has experienced a three-fold increase in its operational result in the third quarter to Nkr135m (32.2m) from Nkr45m in the same period last year. The increase was due primarily to the positive development of oil prices and to earnings from increased oil production, which came as a result of production from the new Gullfaks oil field in which Saga has a 6 per cent interest.

Saga posted slightly lower profits of Nkr94m, before extraordinary costs, for the first nine months of the year compared to Nkr30m. It says that it expects year-end result to be Nkr400m, falling short of the Nkr537m which it achieved at the end of 1986.

Plans for its 875m-100m convertible Eurobond offering could be postponed, however, should a positive development in the fledgling Norwegian oil company's share price fail to materialise.

At the last board meeting held at the end of October, Mr Einar Falck, the chairman, said that Saga's share price must stand at around Nkr150, if the convertible Eurobond offering is to be made.

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## Mixed results for long-term banks

BY IAN RODGER IN TOKYO

THE PERFORMANCE of Japan's three long-term credit banks was mixed in the six months to September 30.

Industrial Bank of Japan, by far the largest of the three, reported a strong 8.3 per cent rise in its so-called limited pre-tax profit, which excludes earnings from bond trading and securities operations, to Y68.7bn

(946m) but only a 4.6 per cent increase in pre-tax profits to Y67.1bn.

Similarly, Long-Term Credit Bank of Japan, the second largest, said its limited recurring profits went up 17.6 per cent to Y50bn, but its pre-tax profit dropped 8 per cent to Y47.3bn.

Nippon Credit Bank reported a 41.5 per cent drop in limited

recurring profit to Y10.5bn, though pre-tax profit was 20.1 per cent higher at Y28.9bn.

The banks said lending expanded sharply in the early summer as borrowers rushed for long-term loans in advance of a rise in the long-term prime rate on August 1. LTCB said its improved profit was due to rapidly growing revenue from

domestic long-term lending, reduced funding costs and a constant growth in profits from international operations.

Bank of Tokyo, the specialised foreign exchange bank, managed a 1 per cent rise in pre-tax profits to Y46.5bn in the six months to September 30. Net profit rose 2.4 per cent to Y23.1bn.

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18th November, 1987



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## UK GILTS

## Interest switches to next G-7 meeting

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**FLLOATING RATE NOTES:** US Dollars unless indicated. Margins above six-month offered rate for US dollars, Cdn-currency coupon.  
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**WARRANT:** Coupon rate of convertible debenture above reported coupon rate. Bond warrant, ex-coupon, yield at current warrant price. **Closing prices on NOVEMBER 29**

## UK COMPANY NEWS

## Mountleigh takes Norwegian option

BY KAREN FOSBELL IN OSLØ AND CLAY HARRIS IN LONDON

Mountleigh, the property and investment group, has taken an option on a 63 per cent stake in **Bugge Blomdahl**, the financially troubled Norwegian property company. It plans to help Bugge to arrange the orderly disposal of some of its assets.

Mr Tony Clegg, Mountleigh chairman, said yesterday that his company could exercise the option without cost. The shareholding's proportion of the proceeds of subsequent property disposals - which could reach £50m to £60m - would be split evenly between Mountleigh and the former Bugge shareholders.

He made clear that Mountleigh was not launching a financial rescue - only contributing its expertise to help Bugge avoid forced sales of its property assets in Norway, Denmark and the UK, including some in London's Docklands. Bugge recently put a £28.5m value on its UK property.

Mountleigh itself was unlikely to be in the market for any of the properties, Mr Clegg said. It has 28 days to decide whether to exercise the option.

Bugge ran into liquidity problems earlier this month after investors shunned a Nkr155m (£13.6m) rights issue. Shortly afterwards, Mr Niels Bugge, managing director and major shareholder, and Mr Arild Nedrum, the second largest shareholder, withdrew from the company.

After further notice, Mr Nedrum and Mr Bugge resigned, and the company issued promissory notes to cover its obligations.

creditors including Christiania Bank, Bergen Bank, Finanshuset and Storebrand. It also has an outstanding UK debt of Nkr200m.

So far only about Nkr25m has flowed into the company's accounts from the rights issue. The company's auditor has yet to verify a pro forma balance sheet for "the year to date".

Bugge is believed to be hard pressed to honour its loans because many were secured against Norwegian share investments, which have fallen heavily in the past month. It also holds shares in UK companies, including Land Securities, and a majority stake in Jacksons Bourne End.

Bugge's financial problems were compounded by the advice of Mr Svein Aasmundstad, director of Norway's Securities and Exchange Commission (Kreditvesen), that small shareholders should withhold subscription payments until more was known about the company's solvency position.

Mr Carl Hambro, legal adviser to Bugge, has advised its main creditors to identify a number of unknown commercial paper holders in the company. He has also demanded that the company's three major shareholders, Mr Bugge, Mr Nedrum and Mr Tove Gengstad, provide details of their financial positions and issue promissory notes to cover their obligations.

## Ifincorp in US talks to rally bid support

By Clay Harris

Ifincorp Inc, the investment bank handling the Benlox demerger bid for Storehouse, the retail group headed by Mr Terence Conran, has held discussions in New York with Shearson Lehman, financial backers of Benlox's abortive bid in September.

Mountleigh holds three per cent of Storehouse, and the meeting was one of several with US-based shareholders or their advisers in an effort to rally support for the bid. The Benlox side, however, that arranging any sort of cash support for the all-paper bid was seriously discussed.

Benlox and Ifincorp have tried to settle speculation that they will be forced to introduce a cash element if they have any hope of winning the day.

In dealings late last week, Schroders Investment Management bought 15,000 more Storehouse shares at 385p to raise its holding to 3.5 per cent.

## FT Share Service

The following securities have been added to the Share Information Service:

American Plastic Technologies (Section: Chemicals); Anglo Leasing (Bank, HP); BASF AG (Chemicals); Lloyd Thompson (Insurance); Magnacord (Industrial); Morrison (Wm.) 54 per cent; Pacific Gas & Electric (Americans); Press Tools (Industrial); RSC Group (Industrial); Shaftesbury (Property); Tomorrows Leisure (Third Market).

## Clive Wolman on the implications of Guinness's High Court challenge

## Panel powers diminished on de-listing

## JUDICIAL REVIEW WILL BE A STANDARD FEATURE

Guinness's High Court challenge to the Takeover Panel's ruling that it formed an undisclosed concert party during its takeover battle for Distillers last year has highlighted a crucial respect in which the Panel's powers have been diminished by last year's Financial Services Act.

In the past, one of the few tangible sanctions that the Panel has wielded to enforce compliance with its rulings has been the threat of de-listing. The shares of a recalcitrant company could be removed from the Stock Exchange list, thus preventing any on-market trading.

The threat has rarely been used and when it has the chief victims have often been the innocent shareholders, as in the case of Mr Jim Raper's Saint Piran company, which also arose out of a finding by the Panel that a concert party existed.

Now however, the Financial Services Act restricts the power of the Stock Exchange to de-list non-compliant companies, according to one prominent official in the Trade and Industry Department (DTI) who was involved in its drafting.

In the past the Stock Exchange had a wide area of discretion to de-list companies for almost any reason it considered appropriate.

But that discretion has been specifically limited by the provisions in Part Four of the Act introduced in response to European Community directives.

Under section 145 the Stock Exchange Council can de-list securities only if it is satisfied that there are special circumstances which preclude normal regular dealings in those securities. By defying a ruling of the Takeover Panel, a company could be in breach of the listing rules, but it would not be de-listed.

Stock Exchange staff argue that the Council has a wider discretion to suspend, rather than

cancel, the listing of any shares in accordance with its listing rules. Those rules say that great importance is attached to observance of the Takeover Code. Suspension was the action taken against Guinness shares.

However, if the Council suspended Guinness shares because of the company's breach of the Code - and the company failed to rectify its default - the Council would have no choice but to restore the listing.

The courts would never allow the Council to circumvent the restrictions on its discretion in the Financial Services Act by using its power of suspension as

a back-door way of permanently cancelling a listing. The DTI official says.

This argument will create a dilemma not only for the Panel but also for the Guinness directors. If they were to lose their court case against the Panel, even if the directors were inclined to obey the Panel's ruling and possibly pay out £100m of compensation to former Distillers shareholders, to do so might be a breach of their fiduciary duty to act in the best interests of their shareholders.

In the past, when the Panel has ordered a bidding company to increase its offer to the share-

holders of the target company, because of concert party transactions or for other reasons, the bidding company directors could always argue that compliance was in their company's best interests. It is never clear in advance whether or not the bid will succeed without increasing its offer anyway. Moreover, to defy the Panel could result in a de-listing of the company's shares.

In the Guinness case, the ruling is retrospective as Distillers has already been acquired and the de-listing threat has gone. To justify compliance, the Guinness directors might therefore be forced to rely on such intangible arguments as wishing to preserve the company's reputation in the City and upholding the respect for an important City institution.

There is however a further twist. By deciding that Guinness breached the Takeover Code by acting in concert with the purchaser of 10.6 million Distillers shares on the penultimate day of the bid battle, the Panel has also suggested in effect that Guinness

breached the Companies Act. The definition of "persons acting in concert" in the Takeover Code is not identical with the definition of an "agreement to acquire shares" in a company under the Companies Act but it is similar.

As a result, the shareholders in Distillers would be in a strong position to claim that Guinness was in breach of its statutory duty by failing to disclose the concert party stake in Distillers and that they were entitled to damages as a result. They could have a further claim for breach of statutory duty if Guinness is found to have breached section 161 of the Companies Act which prohibits companies from giving financial assistance for the purchase of their own shares.

If the High Court upholds Guinness's claim against the Takeover Panel, many of these problems would be avoided - at least until the various court cases and DTI inspectors' report clarified the nature of the abuses during the takeover battle. This might mean a wait for two or three more years. However, would the authority of the Takeover Panel then be seriously damaged?

Mr Marcus Agius, managing director of corporate finance at Lazard Brothers, who is advising Guinness, denies that a successful legal challenge by Guinness would be such a disaster.

"The Panel executive is like a referee in a football game," he says. "Often a referee will give a goal when the player was actually offside but mistakes are accepted as inevitable during the rough and tumble of a battle."

"The Panel too meets out a sort of rough justice which no one is arguing against. But in this case we are talking about examining a set of circumstances of 18 months ago so there is no requirement for speed. What matters is not a quick decision but a correct one."

He adds that if the Guinness challenge is successful, it will merely prevent the Panel from making a decision about the concert party issue immediately. However the Panel will remain free to make the decision once all the relevant facts have been established by the DTI inspectors and in the court cases.

"I do not see what comes out of this case will make a hash of differences to the daily operations of the Panel."

## Bio-Isolates rights and US venture stake lifted

BY HEATHER FARMERHUGH

Bio-Isolates, the low-melting, USM company which produces protein from the cheese by-product whey, is to raise \$500,000 through a rights issue and increase its stake in La Proteina Isolates, a US joint venture, to 75 per cent.

The increased stake will be achieved through a complex transaction which involves Proteina Research, a company established to lend \$1.25m (£700,000) to LSI, buying 25 per cent of the US company for a nominal \$1,700. Bio-Isolates will then take over Proteina Research by issuing \$700,000 in shares.

The funds made available by the \$1.25m equity issue, plus a new credit line of \$400,000, will be used to retire much of LSI's debt. This is intended to facilitate the development of new products, especially BIFRO-G, which the company plans to use as a raw material for products that strengthen the immune systems of new-born calves.

The complex financial deal is also intended to rationalise Bio-Isolates' corporate structure and maximise its ability to take up UK tax losses.

Bio-Isolates has had several rights issues since it came to the USM five years ago and has still to report a pre-tax profit.

The two-for-nine rights and shares issue to Proteina Research are priced at 27.5p, compared with Bio-Isolates' closing price of 29p on Friday. The rights issue is underwritten by the owners of Proteina Research, who could end up with as much as 37 per cent of Bio-Isolates' shares. The Takeover Panel has waived the requirement for a general offer to be made to all shareholders.

The deal is also intended to rationalise Bio-Isolates' corporate structure. The total funds made available will be \$1,750m of which \$1.25m represents an additional line of credit and \$500,000 cash to be provided by the issue of new shares.

Mr Peter Carey is chairman of Proteina Research. An article on Saturday incorrectly referred to his predecessor, Mr David Domes.

## COMPANY NEWS IN BRIEF

**AUSTRALIA INVESTMENT TRUST** improved earnings to 1.94p in year ended September 30 1987 (0.81p) and paying dividend of 2.7p (0.85p). Net asset value 155.5p (107.4p), but down to 112.2p at end October.

**BRITISH EMPIRE Securities** and General Trust announced dividend of 0.6p from earnings of 1.2p (0.40p) for the year ended September 30 1987 (0.40p). Final is 0.4p. Total income \$4.6m (\$5.22m) and tax charge \$352,000 (\$1.47m). Net asset value 63.53p (40.41p) per share.

**POLYPIPE** has acquired Hayes Pipes (Ulster) to be satisfied by the issue of shares. Base consideration is £1.05m, with a further amount of up to £1m if Hayes' pre-tax profit in the period April 1 to November 1987 is £20,000 or more. For the seven months to end-October profits are expected to rise to £500,000 (£161,000 for the 14 months ended March 1987).

**SHARP & LAW** has acquired Internal Partition Systems for an initial £1.6m to be satisfied by the issue of 270,000 in 10 per cent loan notes, £500,000 in new ordinary and £450,000 cash. Further payments will be made if pre-tax profits exceed £500,000 in 1988 or 1989 up to a maximum further £1.5m if pre-tax profits for those years average \$500,000 or more.

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Newspaper 21 1987

By Guinness, N.A. CSD Dept. Agreed Book

CARLO

London &amp; Paris

ECU 50,000,000

Floating Rate Dual Currency Depositary

Receipts Due 1987

The new issue of interest for the period

November 22, 1987 to February 22, 1988

will be 17.06571% p.a. interest payable

NGT15,904.18 p.a. ECU 500,000,000

November 21 1987

By Guinness, N.A. CSD Dept. Agreed Book

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering directors. Official notices are not published in the Financial Times. Dates are in italics and the sub-divisions shown below are listed mainly on last year's listing.

Interim: BSE, Chamberlain, Pricer, Green, Blythe, Dalmor Group, EMAP, Palfacer, Peabody, Serco, Sellen, Tiscor, VTI Group.

## FUTURE DATES

Interim: BSE, Chamberlain, Pricer, Green, Blythe, Dalmor Group, EMAP, Palfacer, Peabody, Serco, Sellen, Tiscor, VTI Group.

## NOTICE OF REDEMPTION

To the Holders of

## Norges Kommunalbank

7 1/4% Guaranteed External Loan Bonds Due December 15, 1990

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 4(c) of the Fiscal Agency Agreement dated as of December 15, 1972 between Norges Kommunalbank and The Chase Manhattan Bank (National Association), as Fiscal Agent, \$1,470,000 aggregate principal amount of the above-captioned Bonds (the "Bonds") will be redeemed through operation of the sinking fund on December 15, 1987 (the "Redemption Date") at the Redemption Price of 100% of the principal amount thereof (the "Redemption Price").

The serial numbers of the Bonds to be redeemed are as follows:

10	6	1107	2177	3078	3879	4478	5308	6481	7088	8381	11478	11494	12844	17991	18915	18959	19313	19577	20054
15	11	1110	2215	3078	3734	4480	5515	6482	7098	8513	11494	12444	12780	17032	18237	18832	19320	19880	20057
20	16	1129	2228	3208	3734	4614	5342	6489	7128	8528	11494	12444	12778	17036	18238	18833	19321	19881	20058
25	21	1132	2231	3301	3739	4519	5345	6492	7131	8531	11497	12447	12781	17039	18241	18836	19324	19884	20061
30	26	1135	2234	3311	3742	4522	5348	6495	7134	8534	11500	12450	12784	17042	18244	18839	19327	19887	20064
35	31	1138	2237	3314	3745	4525	5351	6498	7137	8537	11503	12453	12787	17045	18247	18842	19330	19890	20067
40	36	1141	2240	3317	3748	4528	5354	6501	7140	8540	11506	12456	12790	17048	18250	18845	19333	19893	20070
45	41	1144	2243	3320	3751	4531	5357	6504	7143	8543	11509	12459	12793	17051	18253	18848	19336	19896	20073
50	46	1147	2246	3323	3754	4534	5360	6507	7146	8546	11512	12462	12796	17054	18256	18851	19339	19899	20076
55	51	1150	2249	3326	3757	4537	5363	6510	7149	8549	11515	12465	12799	17057	18259	18854	19342	19902	20079
60	56	1153	2252	3329	3760	4540	5366	6513	7152	8552	11518	12468	12802	17060	18262	18857	19345	19905	20082
65	61	1156	2255	3332	3763	4543	5369	6516	7155	8555	11521	12471	12805	17063	18265	18860	19348	19908	20085
70	66	1159	2258	3335	3766	4546	5372	6519	7158	8558	11524	12474	12808	17066	18268	18863	19351	19911	20088
75	71	1162	2261	3338	3769	4549	5375	6522	7161	8561	11527	12477	12811	17069	18271	18866	19354	19914	20091
80	76	1165	2264	3341	3772	4552	5378	6525	7164	8564	11530	12480	12814	17072	18274	18869	19357	19917	20094
85	81	1168	2267	3344	3775	4555	5381	6528	7167	8567	11533	12483	12817	17075	18277	18872	19360	19920	20097
90	86	1171	2270	3347	3778	4558	5384	6531	7170	8570	11536	12486	12820	17078	18280	18875	19363	19923	20100
95	91	1174	2273	3350	3781	4561	5387	6534	7173	8573	11539	12489	12823	17081	18283	18878	19366	19926	20103
100	96	1177	2276	3353	3784	4564	5390	6537	7176	8576	11542	12492	12826	17084	18286	18881	19369	19929	20106
105	101	1180	2279	3356	3787	4567	5393	6540	7179	8579	11545	12495	12829	17087	18289	18884	19372	19932	20109
110	106	1183	2282	3359	3790	4570	5396	6543	7182	8582	11548	12498	12832	17090	18292	18887	19375	19935	20112
115	111	1186	2285	3362	3793	4573	5399	6546	7185	8585	11551	12501	12835	17093	18295	18890	19378	19938	20115
120	116	1189	2288	3365	3796	4576	5402	6549	7188	8588	11554	12504	12838	17096	18298	18893	19381	19941	20118
125	121	1192	2291	3368	3799	4579	5405	6552	7191	8591	11557	12507	12841	17099	18301	18896	19384	19944	20121
130	126	1195	2294	3371	3802	4582	5408	6555	7194	8594	11560	12510	12844	17102	18304	18899	19387	19947	20124
135	131	1198	2297	3374	3805	4585	5411	6558	7197	8597	11563	12513	12847	17105	18307	18902	19390	19950	20127
140	136	1201	2299	3377	3808	4588	5414	6561	7200	8600	11566	12516	12850	17108	18310	18905	19393	19953	20130
145	141	1204	2302	3380	3811	4591	5417	6564	7203	8603	11569	12519	12853	17111	18313	18908	19396	19956	20133
150	146	1207	2305	3383	3814	4594	5420	6567	7206	8606	11572	12522	12856	17114	18316	18911	19399	19959	20136
155	151	1210	2308	3386	3817	4597	5423	6570	7209	8609	11575	12525	12859	17117	18319	18914	19402	19962	20139
160	156	1213	2311	3389	3820	4600	5426	6573	7212	8612	11578	12528	12862	17120	18322	18917	19405	19965	20142
165	161	1216	2314	3392	3823	4603	5429	6576	7215	8615	11581	12531	12865	17123	18325	18920	19408	19968	20145
170	166	1219	2317	3395	3826	4606	5432	6579	7218	8618	11584	12534	12868	17126	18328	18923	19411	19971	20148
175	171	1222	2320	3398	3829	4609	5435	6582	7221	8621	11587	12537	12871	17129	18331	18926	19414	19974	20151
180	176	1225	2323	3401	3832	4612	5438	6585	7224	8624	11590	12540	12874	17132	18334	18929	19417	19977	20154
185	181	1228	2326	3404	3835	4615	5441	6588	7227	8627	11593	12543	12877	17135	18337	18932	19420	19980	20157
190	186	1231	2329	3407	3838	4618	5444	6591	7230	8630	11596	12546	12880	17138	18340	18935	19423	19983	20160
195	191	1234	2332	3410	3841	4621	5447	6594	7233	8633	11599	12549	12883	17141	18343	18938	19426	19986	20163
200	196	1237	2335	3413	3844	4624	5450	6597	7236	8636	11602	12552	12886	17144	18346	18941	19429	19989	20166
205	201	1240	2338	3416	3847	4627	5453	6600	7239	8639	11605	12555	12889	17147	18349	18944	19432	19992	20169
210	206	1243	2341	3419	3850	4630	5456	6603	7242	8642	11608	12558	12892	17150	18352	18947	19435	19995	20172
215	211	1246	2344	3422	3853	4633	5459	6606	7245	8645	11611	12561	12895	17153	18355	18950	19438	19998	20175
220	216	1249	2347	3425	3856	4636	5462	6609	7248	8648	11614	12564	12898	17156	18358	18953	19441	20001	20178
225	221	1252	2350	3428	3859	4639	5465	6612	7251	8651	11617	12567	12901	17159	18361	18956	19444	20004	20181
230	226	1255	2353	3431	3862	4642	5468	6615	7254	8654	11620	12570	12904	17162	18364	18959	19447	20007	20184
235	231	1258	2356	3434	3865	4645	5471	6618	7257	8657	11623	12573	12907	17165	18367	18962	19450	20010	20187
240	236	1261	2359	3437	3868	4648	5474	6621	7260	8660	11626	12576	12910	17168	18370	18965	19453	20013	20190
245	241	1264	2362	3440	3871	4651	5477	6624	7263	8663	11629	12579	12913	17171	18373	18968	19456	20016	20193
250	246	1267	2365	3443	3874	4654	5480	6627	7266	8666	11632	12582	12916	17174	18376	18971	19459	20019	20196
255	251	1270	2368	3446	3877	4657	5483	6630	7269	8669	11635	12585	12919	17177	18379	18974	19462	20022	20199
260	256	1273	2371	3449	3880	4660	5486	6633	7272	8672	11638	12588	12922	17180	18382	18977	19465	20025	20202
265	261	1276	2374	3452	3883	4663	5489	6636	7275	8675	11641	12591	12925	17183	18385	18980	19468	20028	20205
270	266	1279	2377	3455	3886	4666	5492	6639	7278	8678	11644	12594	12928	17186	18388	18983	19471	20031	20208
275	271	1282	2380	3458	3889	4669	5495	6642	7281	8681	11647	12597	12931	17189	18391	18986	19474	20034	20211
280	276	1285	2383	3461	3892	4672	5498	6645	7284	8684	11650	12600	12934	17192	18394	18989	19477	20037	20214
285	281	1288	2386	3464	3895	4675	5501	6648	7287	8687	11653	12603	12937	17195	18397	18992	19480	20040	20217
290	286	1291	2389	3467	3898	4678	5504	6651	7290	8690	11656	12606	12940	17198	18400	18995	19483	20043	20220
295	291	1294	2392	3470	3901	4681	5507	6654	7293	8693	11659	12609	12943	17201	18403	18998	19486	20046	20223
300	296	1297	2395	3473	3904	4684	5510	6657	7296	8696	11662	12612	12946	17204	18406	19001	19489	20049	20226
305	301	1300	2398	3476	3907	4687	5513	6660	7299	8699	11665	12615	12949	17207	18409	19004	19492	20052	20229
310	306	1303	2401	3479	3910	4690	5516	6663	7302	8702	11668	12618	12952	17210	18412	19007	19495	20055	20232
315	311	1306	2404	3482	3913	4693	5519	6666	7305	8705	11671	12621	12955	17213	18415	19010	19498	20058	20235
320	316	1309	2407	3485	3916	4696	5522	6669	7308	8708	11674	12624	12958	17216	18418	19013	19501	20061	20238
325	321	1312	2410	3488	3919	4699	5525	6672	7311	8711	11677	12627	12961	17219	18421	19016	19504	20064	20241
330	326	1315	2413	3491	3922	4702	5528	6675	7314	8714	11680	12630	12964	17222	18424	19019	19507	20067	20244
3																			

## DIARY DATES

## Business and Management Conferences

**November 24**  
The Henley Centre: The UK economy - the next five years (01-353 8981)  
Cavendish Conference Centre, London

**November 24**  
The Institute of Taxation: Tax planning for individuals and trusts (01-225 8381)  
RAE Club, Piccadilly W1

**November 25**  
Leasing Digest Conference: Looking forward with hindsight (01-236 3288)  
Grosvenor House Hotel, London W1

**November 26-27**  
Central Computer and Telecommunications Agency, HM Treasury: European conference on the use of knowledge-based and expert systems in government (01-353 4468)  
Gatwick Hilton Hotel

**November 27**  
The Textile Institute: Protecting and exploiting creative ideas in the textile industry - conference and seminar (01-535 3057)  
Holiday Inn Crowne Plaza Midland Hotel, Manchester

**November 30**  
IBC: Recent developments in EEC competition law (01-236 4080)  
London Press Centre, EC4

**December 1**  
National Economic Development Office - Consumer Electronics EDC: Automating the home... now and tomorrow (0273 72587)  
Royal Garden Hotel, London

**December 1-2**  
Financial Times: World Telecommunications (01-925 2323)  
Hotel Inter-Continental, London W1

**December 1**  
Waters Information Services: Technology issues in 24-hour trading (NY 607-772 8095)  
Hotel Parker Meridian, New York City

**December 2**  
The Watt Committee on Energy: Renewable energy sources (01-379 5575)  
The Royal Institution of Great Britain, London W1

**December 2-5**  
International Safety and Security Fair-FISP (01-499 0877)  
Sao Paulo

**December 3**  
CBI Conference: Financial Services Act II (01-379 7400)  
Centre Point, London, WCI

**December 3-4**  
Financial Times / British Venture Capital Association: Venture capital financial forum (01-925 2323)  
Hotel Inter-Continental, W1

**December 3-4**  
Institute of Directors: Fighting off the predators - or becoming one yourself (01-839 1235)  
115, Pall Mall, London

**December 7**  
CBI Conference: Winning partnerships - success through academic/industry collaboration (01-379 7400)  
Centre Point, London WCI

**December 7-8**  
The Royal Institute of International Affairs: Energy 1987 - The new market equilibrium? (01-930 2293)  
10, St James Square, London SW1

**December 8-10**  
Institute for International Research (two one-day conferences): Cutting your trading costs through effective risk management and settlement procedures: Can technology develop and improve your dealing activities and investment decisions? (01-434 1017)  
Noga Hilton, Geneva

*Anyone wishing to attend any of the above events is asked to telephone the organisers ensure that there has been changes in the details published.*

**TODAY**  
COMPANY MEETINGS:  
Britannia Security Group, The Charing Cross Hotel, Strand, 12.00  
Haggas (John), Kedgey, 11.00  
High-Pole Services, Institute of Directors, 110 Pall Mall, S.W., 12.00

**BOARD MEETINGS:**  
Preston Inds.  
Crest Inds.  
BET  
Chamberlain Phelps  
Crown Synthes  
Deleat Group  
EMAP  
Fairfax  
Franchise Foods  
Horscom  
Sektors Int.

**DIVIDEND & INTEREST PAYMENTS:**  
Agn Corp. 30cts.  
BTH 4.25  
Barham Group 1.5p  
Bassoon Clark 3.5p  
Bentley 2.5p  
Brent Chemicals 1.1p  
CRG 4.1p  
Davidson Pearce Group 1.5p  
EMAP 2.5p  
Export-Import Bank of Korea Plc. Rate N/A.  
Haden Macdonald Haggas 0.7p  
Haggas (John) 2p  
Lloyd Chemicals 0.85p

**MAI 14p**  
Rendel 1.7p  
Ruo Estate Haggas 4p  
Rutland Trust 0.1p  
Sey Furniture Haggas 1.75p  
Star Computer 1.5p  
Sunderland 1144s Ltd. 2008 5.575p  
Treasury 1244s Ltd. 1993 5.575p  
Trinidad & Tobago 1244s Ltd. 2008 5.125p  
Wentworth International 1.75p

**TOMORROW**  
COMPANY MEETINGS:  
Chambers & Fergus, 105-107 Woodville, Hull, 12.00  
Synapse Computer Services, Barrington House, Great Street, E.C., 12.15  
Throgmorton Dual Trust, Queens Room, Honourable Artillery Company, Armoury House, City Road, E.C., 12.30

**BOARD MEETINGS:**  
Preston Inds.  
Crest Inds.  
BET  
Chamberlain Phelps  
Crown Synthes  
Deleat Group  
EMAP  
Fairfax  
Franchise Foods  
Horscom  
Sektors Int.

**DIVIDEND & INTEREST PAYMENTS:**  
Agn Corp. 30cts.  
BTH 4.25  
Barham Group 1.5p  
Bassoon Clark 3.5p  
Bentley 2.5p  
Brent Chemicals 1.1p  
CRG 4.1p  
Davidson Pearce Group 1.5p  
EMAP 2.5p  
Export-Import Bank of Korea Plc. Rate N/A.  
Haden Macdonald Haggas 0.7p  
Haggas (John) 2p  
Lloyd Chemicals 0.85p

**DIVIDEND & INTEREST PAYMENTS:**  
Bousted 0.1p  
Graham House 2.5p  
Hoback Johnson 1.5p  
Royal Bank of Canada 5p

**WEDNESDAY NOVEMBER 25**  
COMPANY MEETINGS:  
Cognate Ltd. 11.30  
Great Universal Stores, Chartered Insurance Institute, 20 Abchurch Lane, E.C., 12.00  
Larives, Bowser Hotel, Hollinwood Ave., Chesham, Oxford, 12.00  
TSW, The Studio, Derry Cross, Plymouth, 2.30  
Trafalgar Park, United Trading Estate, United Road, Old Trafford, Manchester, 12.00

**BOARD MEETINGS:**  
Preston Inds.  
Crest Inds.  
BET  
Chamberlain Phelps  
Crown Synthes  
Deleat Group  
EMAP  
Fairfax  
Franchise Foods  
Horscom  
Sektors Int.

**DIVIDEND & INTEREST PAYMENTS:**  
Agn Corp. 30cts.  
BTH 4.25  
Barham Group 1.5p  
Bassoon Clark 3.5p  
Bentley 2.5p  
Brent Chemicals 1.1p  
CRG 4.1p  
Davidson Pearce Group 1.5p  
EMAP 2.5p  
Export-Import Bank of Korea Plc. Rate N/A.  
Haden Macdonald Haggas 0.7p  
Haggas (John) 2p  
Lloyd Chemicals 0.85p

## FINANCIAL

**DIVIDEND & INTEREST PAYMENTS:**  
Aluminium Co. of America 30cts.  
Boat (Henry) & Sons 5p  
B.H. Prop. 15cts.  
Chambers & Fergus 1.75p  
Early's of Wemy 0.315p  
Eaton Corp. 50cts.  
Gerr (S.R.) 0.545p  
Kwaku 1.5p  
Murray Venables 3.5p  
Primetec 40cts.  
Ragins Health 0.284p  
Savage Group 3p  
Sound Division 0.601p  
Trafalgar Park 6.75p

**THURSDAY NOVEMBER 26**  
COMPANY MEETINGS:  
Amsted, Adelphi Suba, The Widdow, Ad-  
wyn, W.C., 2.30  
Maudslays (Ltd.), The Holiday Inn, Crown  
Plaza, Peter Street, Manchester, 10.30  
Tottenham Motors F.C., Tottenham High  
Road, N., 11.00

**BOARD MEETINGS:**  
Preston Inds.  
Crest Inds.  
BET  
Chamberlain Phelps  
Crown Synthes  
Deleat Group  
EMAP  
Fairfax  
Franchise Foods  
Horscom  
Sektors Int.

**DIVIDEND & INTEREST PAYMENTS:**  
Agn Corp. 30cts.  
BTH 4.25  
Barham Group 1.5p  
Bassoon Clark 3.5p  
Bentley 2.5p  
Brent Chemicals 1.1p  
CRG 4.1p  
Davidson Pearce Group 1.5p  
EMAP 2.5p  
Export-Import Bank of Korea Plc. Rate N/A.  
Haden Macdonald Haggas 0.7p  
Haggas (John) 2p  
Lloyd Chemicals 0.85p

Share of Tokyo NY Old. Plg. Rate N/A. 1080  
T11.12  
Bentford Group 1.2p  
Corrad Haggas 1p  
Giles 2.8p  
Hampton Homecare 0.5p  
Lloyd's Insurance NV Cbl. Plg. Rate N/A.  
1988 T11.12  
Molins 2.5p  
Oritane Int. SA NPV (U.K.) 3p  
Ox. (L.A.) 13p  
Ox. (E.) 3p  
Prudential Corp. 11.5p  
Synapse Computer Services 3.2p  
Systems Reliability 1.7p  
Utd. Friendly 8.9p  
Western Mining 550.05

**FRIDAY NOVEMBER 27**  
COMPANY MEETINGS:  
B&I Group, Ironmongers Hall, Barbican, E.C., 11.30  
Fisher (A.), Castle Hotel, 18 High Street, Windsor, Berkshire, 12.00  
Osborn Estates, Dorchester Hotel, Park Lane, W., 12.00  
Tay Homes, Queens Hotel, City Square, Leeds, 2.30  
West Yorkshire Ind. Hospital, Bankfield  
Hotel, Singly, 12.30

**BOARD MEETINGS:**  
Preston Inds.  
Crest Inds.  
BET  
Chamberlain Phelps  
Crown Synthes  
Deleat Group  
EMAP  
Fairfax  
Franchise Foods  
Horscom  
Sektors Int.

**DIVIDEND & INTEREST PAYMENTS:**  
Agn Corp. 30cts.  
BTH 4.25  
Barham Group 1.5p  
Bassoon Clark 3.5p  
Bentley 2.5p  
Brent Chemicals 1.1p  
CRG 4.1p  
Davidson Pearce Group 1.5p  
EMAP 2.5p  
Export-Import Bank of Korea Plc. Rate N/A.  
Haden Macdonald Haggas 0.7p  
Haggas (John) 2p  
Lloyd Chemicals 0.85p

Alexandra Workwear 1.1p  
Amsted 0.5p  
Amster Chemical 2.5p  
Amster 1.3p  
Armstrong Equipment 2.4p  
Bank of Montreal 50cts.  
Bentford Group 1.375p  
Cameron Corp. 4p  
Cassins Prop. Grp. 2.8p  
Dedford Haggas 1.5p  
Great Western Financial Corp. 15cts.  
Green (E.) & Partners 2.8p  
Haggas & Haggas 3p  
Hil Samuel Grp. 4p  
INSTEM 1p  
MIL Research 1.1p  
Maudslays (Ltd.) 8.1p  
Minerals Oils & Res. 15cts.  
New Brunswick Plg. Rate N/A. 1994 0523.9  
President Entertainment 0.5p  
Flaming (P.L.) Netherlands Prin. Cap. Ltd.  
Plg. Rate N/A. 5433.59  
Royal Bank of Canada Plg. Rate N/A.  
2005 355.35  
S & U Stores 1.25p  
Sider 3.5p  
Suez 1.5p  
T & S Stores 0.8p  
Tay Homes 4.45p  
Trinity 0.5p  
Vred Haggas 1p  
Watts, Blake, Seamer & Co. 3p  
Wells Fargo Plg. Rate N/A. 2000  
\$55.11  
Woolsons Betwars Grp. 1.4p

**SATURDAY NOVEMBER 28**  
DIVIDEND & INTEREST PAYMENTS:  
Perry Group 3p

## Parliament

Council. (Room 16, 4.45pm.)

**TOMORROW**

Commons: Liberal debate on the future government of Scotland.  
Lords: Criminal Justice Bill, report stage.  
Select Committees: Public Accounts - subject: Postgraduate Awards. Witnesses: Sir David Hancock, Department of Education and Science; Dr E.W. Mitchell, Science Engineering Research Council; Mrs S. Reeve, Economic and Social Research

Health Commissioner for 1986 to 1987. Witnesses: North Warwickshire Health Authority and Macleodfield Health Authority (Room 6, 4.30pm.)

**WEDNESDAY**  
Commons: Urban Development Corporations (Financial Limit) Bill remaining stages, followed by Scottish Development Agency Bill, report and third reading. Motion on Food Protection (emergency prohibitions) Order.

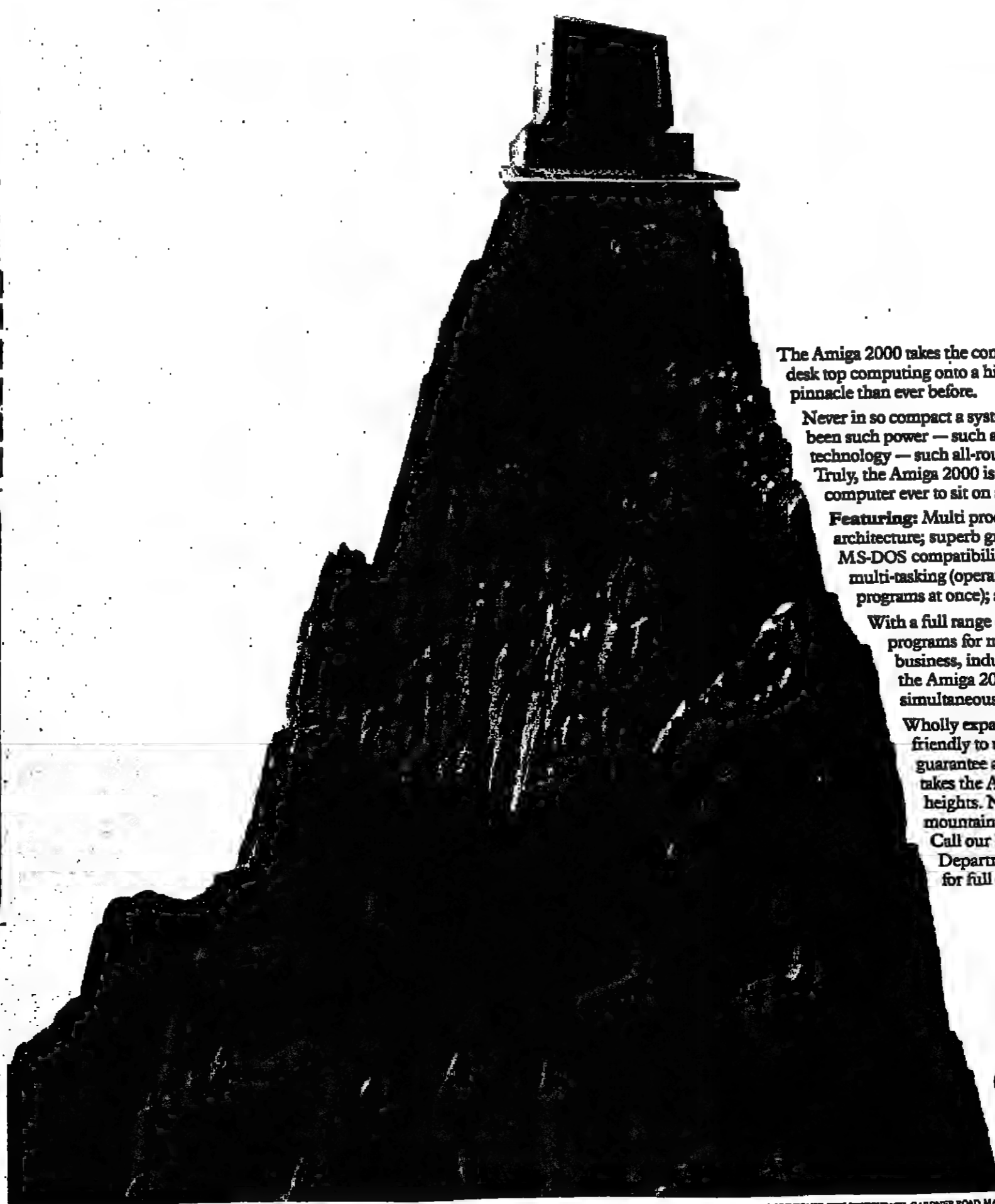
Lords: Debate on financial and economic aspects of the Government's privatisation programme and the case for effective competition. Debate on alcohol abuse and the need for an inquiry into national and cultural attitudes on drinking. Land Registration Bill Second Reading. Question on the Government's response to the Overseas Student Trust Publication "The Next Step Overseas - Student Policy into the 1990s."

Select Committees: Unopposed bill - City of Westminster (Room 9, 4pm). Public Accounts - subject: Regulation of Heavy Lorries. Witnesses: Sir Alan Bailey, Department of Transport. (Room 16, 4.15pm). Joint Committee: Consolidation Consideration of Income and Corporation Taxes Bill (Room 4, 4.30pm).

**THURSDAY**  
Commons: Labour debate on the worsening financial pressures on National Health Service hospitals. Motion on Financial Assistance for Opposition Parties. Lords: Civil Evidence (Scotland) Bill, committee. Merchant Shipping Bill, committee. Question on the role of the Royal Society for the Prevention of Accidents in the promotion of safety, particularly on the roads.

**FRIDAY**  
Commons: Private members motions.

# NEVER IN THE HISTORY OF BUSINESS SYSTEMS HAS SO LITTLE DONE SO MUCH



The Amiga 2000 takes the concept of desk top computing onto a higher pinnacle than ever before.

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## NOTICE TO LOMBARD DEPOSITORS

The following interest rates will apply from 23rd Nov 1987  
Rates for depositors entitled to receive gross interest | Rates for depositors entitled to receive net interest | Gross equivalent to a basic rate tax payer

**14 DAYS NOTICE** Minimum deposit £25,000

When the balance is £25,000 and above

8.250% PA | 6.208% PA | 8.504% PA

When the balance is below £25,000

6.250% PA | 4.703% PA | 6.442% PA

**CHEQUE SAVINGS ACCOUNTS** Minimum initial deposit £5,000

When the balance is £5,000 and above

7.125% PA | 5.362% PA | 7.345% PA

When the balance is £5,000 up to £4,999

5.125% PA | 3.857% PA | 5.283% PA

Interest is credited on each published rate change, and not less than half yearly.

**LOMBARD DEPOSIT ACCOUNTS**

Lombard North Central PLC

Principal Paying Agent

## Dresdner Finance B.V.

Amsterdam

DM 500,000,000.-  
Floating Rate Notes 1985/1990

The Rate of Interest applicable to the Floating Rate Notes from November 23, 1987 to February 21, 1988, inclusive, was determined by Barclays Bank PLC, London, as Reference Agent to be 4 1/4 per cent per annum. Therefore, on February 22, 1988, the relevant interest to February 21, 1988, inclusive, was DM 10,000.- principal amount in the amount of DM 107.71 and interest per note of DM 250,000.- in the amount of DM 2,092.71 is due.

**Dresdner Bank**  
Aktienbank  
Principal Paying Agent

Frankfurt am Main  
in November 1987

Dresdner Bank Group

**ET LIMIT TRUST INFORMATION SERVICE**

## AUTHORISED UNIT TRUSTS

	1984	1985
<b>Abbey Unit Trf. Income. (n)</b>		
50 Holders Unit Tr. Income		
High Income	126.4	129.0
Average Income	116.7	122.0
Gifts & Fund Inc.	126.4	215.7
High Inc. Entry	126.4	197.3
Worldwide Total	126.4	197.3
<b>Capital Growth</b>		
Average Growth	126.4	122.0
High Growth	126.4	122.0
Active & Earning Trf.	126.4	122.0
Capital Return	126.4	122.0
Community & Energy	126.4	122.0
General	126.4	122.0
Japan	126.4	122.0
UK Growth Act. Income	126.4	122.0
UK Growth Fund	126.4	122.0
U.S. Emerging Cos's	126.4	122.0
Worldwide Growth	126.4	122.0
<b>Epical Growth</b>		
Epical Growth	126.4	122.0
<b>Abstract Management Ltd</b>		
10 Queens Terrace, Aberdeen AB9 1AL		

Abstract	Un. Growth	21.2	22.2
Abstract	10th Ann Int. Lg	21.2	22.2
Abstract	World Gth Fd	21.2	22.2
Abstract	Expo Int. Fd	21.2	22.2

AECM Unit Trusts Ltd (a)(30)(c)		
401 St John St, London	EC1V 4DE	
Entrepreneur Comm.	99.4	100.0
Exempt	325.4	347.0
(Accum. Units)	702.1	702.1
For Eastern	247.4	281.1
(Accum. United	189.2	200.0
Fin. & Property	70.5	71.9
(Accum. Units)	112.9	114.0
High Tech	247.4	267.8
(Accum. Units)	53.5	158.0
Investment Growth		
Income	261.5	277.0
(Accum. Units)	87.3	90.0
Intl Earnings	158.1	165.0
(Accum. United	231.9	245.0
International Growth	78.4	81.0
(Accum. Units)	82.4	84.0
Intl. Bond	122.4	127.0

Rich American Growth	106.6	114.1
(Accum. Gains)	174.2	152.1

Preferred	124.3	27.9%
(Accum Unst)	354.8	37.5%
Smaller Cos.	248.0	26.0%
(Accum Unst)	317.5	33.7%
Smaller Cos. 20%	217.5	23.0%
(Accum Unst)	94.6	10.0%
Special Sats	118.6	12.5%
(Accum Unst)	122.5	13.0%
Special Sats	125.3	13.3%
(Accum Unst)	130.0	13.8%
UK Growth	122.0	12.9%
(Accum Unst)	394.6	41.9%

**Allied Dairies Unit Trusts PLC (x1)**  
 Allied Dairies Trust, Sharnbrook, SH3 1LJ  
 01723 282211, Sunday 01723 282212

Enhanced Trusts		
Growth & Income Tr.	132.5	541.5%

[illegible]

East & Western	32.4	28.3
United Growth	32.4	28.3
<b>Seattle Trust Managers Ltd</b>		
200 Ottawa St, London, EC1Y 4TY		
American	36.3	39.7
American East Inc	33.7	37.0
Austrasia	19.0	18.0
Canada	62.1	62.1
China & Far East	22.2	23.3
Global Income	31.8	33.0
High Income	47.4	50.0
Income Growth Trst	54.3	57.0
International Trst	36.5	36.5
Japan & Germany	137.8	146.0
Special Situations	51.4	54.8
<b>Seafarms Unicom Ltd (n)(K)(G)</b>		
Unicom Bldg, 252 Stamford Rd, E		
Unicom America	74.3	68.0
Unicom Asia	100.0	102.0
Unicom Europe	100.0	102.0
Unicom Japan	100.0	102.0
Unicom Korea	100.0	102.0
Unicom Latin Am.	100.0	102.0
Unicom Middle East	100.0	102.0
Unicom Oceania	100.0	102.0
Unicom Pacific	100.0	102.0
Unicom South East Asia	100.0	102.0
Unicom Taiwan	100.0	102.0
Unicom Thailand	100.0	102.0
Unicom USA	100.0	102.0
Unicom Vietnam	100.0	102.0
Unicom World	100.0	102.0

Do. <i>Incense</i> 1992	58.9	64.6
Do. <i>Incense</i> 1993	51.4	54.6
Do. <i>Incense</i> 1994	62.9	69.1
Do. <i>Incense</i> 1995	57.9	61.5
Do. <i>Incense</i> 1996	50.8	52.1
Do. <i>Incense</i> 1997	54.3	59.1
Do. <i>Incense</i> 1998	54.2	57.2
Do. <i>Incense</i> 1999	148.8	174
Do. <i>Incense</i> 2000	349.6	371
Do. <i>Incense</i> 2001	48.6	51
Do. <i>Incense</i> 2002	178.1	191
Do. <i>Incense</i> 2003	172.2	183
Do. <i>Incense</i> 2004	50.3	51

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**FT UNIT TRUST INFORMATION SERVICE**

<b>Prudential Assurance Co Ltd</b> New York, NY Assets: \$1,000,000,000 Liabilities: \$1,000,000,000 Surplus: \$1,000,000,000	<b>Prudential Assurance Co Ltd</b> London, UK Assets: £1,000,000,000 Liabilities: £1,000,000,000 Surplus: £1,000,000,000	<b>Prudential Assurance Co Ltd</b> Paris, France Assets: F1,000,000,000 Liabilities: F1,000,000,000 Surplus: F1,000,000,000	<b>Prudential Assurance Co Ltd</b> Tokyo, Japan Assets: ¥1,000,000,000,000 Liabilities: ¥1,000,000,000,000 Surplus: ¥1,000,000,000,000	<b>Prudential Assurance Co Ltd</b> Sydney, Australia Assets: A\$1,000,000,000 Liabilities: A\$1,000,000,000 Surplus: A\$1,000,000,000	<b>Prudential Assurance Co Ltd</b> Hong Kong Assets: HK\$1,000,000,000 Liabilities: HK\$1,000,000,000 Surplus: HK\$1,000,000,000	<b>Prudential Assurance Co Ltd</b> Singapore Assets: S\$1,000,000,000 Liabilities: S\$1,000,000,000 Surplus: S\$1,000,000,000	<b>Prudential Assurance Co Ltd</b> Buenos Aires, Argentina Assets: P\$1,000,000,000 Liabilities: P\$1,000,000,000 Surplus: P\$1,000,000,000	<b>Prudential Assurance Co Ltd</b> Rio de Janeiro, Brazil Assets: R\$1,000,000,000 Liabilities: R\$1,000,000,000 Surplus: R\$1,000,000,000	<b>Prudential Assurance Co Ltd</b> Santiago, Chile Assets: C\$1,000,000,000 Liabilities: C\$1,000,000,000 Surplus: C\$1,000,000,000
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**LONDON SHARE SERVICE**[illegible]

## LONDON SHARE SERVICE

## AMERICANS - Contd

Stock	Price	Low	High	Vol	YTD
IBM Corp	125.00	124.00	126.00	1,200	125.00
Microsoft	100.00	98.00	102.00	800	100.00
Oracle	85.00	83.00	87.00	600	85.00
Sun Microsystems	70.00	68.00	72.00	500	70.00
Unisys Corp	60.00	58.00	62.00	400	60.00
Wang	50.00	48.00	52.00	300	50.00
Qatar Petroleum	40.00	38.00	42.00	200	40.00
British Petroleum	30.00	28.00	32.00	100	30.00
Shell	20.00	18.00	22.00	100	20.00
BP	15.00	14.00	16.00	100	15.00

## CANADIANS

Stock	Price	Low	High	Vol	YTD
Alcan	100.00	98.00	102.00	1,200	100.00
Bell Canada	85.00	83.00	87.00	800	85.00
Imperial Oil	70.00	68.00	72.00	600	70.00
Canadian National	60.00	58.00	62.00	500	60.00
Bank of Montreal	50.00	48.00	52.00	400	50.00
Bank of Toronto	40.00	38.00	42.00	300	40.00
Canadian Pacific	30.00	28.00	32.00	200	30.00
Canadian National	20.00	18.00	22.00	100	20.00
Bank of Montreal	15.00	14.00	16.00	100	15.00
Bank of Toronto	10.00	9.00	11.00	100	10.00

## BANKS, HP &amp; LEASING

Stock	Price	Low	High	Vol	YTD
Bank of America	100.00	98.00	102.00	1,200	100.00
Wells Fargo	85.00	83.00	87.00	800	85.00
Citigroup	70.00	68.00	72.00	600	70.00
JP Morgan Chase	60.00	58.00	62.00	500	60.00
Bank of Montreal	50.00	48.00	52.00	400	50.00
Bank of Toronto	40.00	38.00	42.00	300	40.00
Canadian Pacific	30.00	28.00	32.00	200	30.00
Canadian National	20.00	18.00	22.00	100	20.00
Bank of Montreal	15.00	14.00	16.00	100	15.00
Bank of Toronto	10.00	9.00	11.00	100	10.00

## BEERS, WINES &amp; SPIRITS

Stock	Price	Low	High	Vol	YTD
Heineken	100.00	98.00	102.00	1,200	100.00
Carlsberg	85.00	83.00	87.00	800	85.00
Asahi	70.00	68.00	72.00	600	70.00
Daewoo	60.00	58.00	62.00	500	60.00
Bank of Montreal	50.00	48.00	52.00	400	50.00
Bank of Toronto	40.00	38.00	42.00	300	40.00
Canadian Pacific	30.00	28.00	32.00	200	30.00
Canadian National	20.00	18.00	22.00	100	20.00
Bank of Montreal	15.00	14.00	16.00	100	15.00
Bank of Toronto	10.00	9.00	11.00	100	10.00

## BUILDING, TIMBER, ROADS

Stock	Price	Low	High	Vol	YTD
Bechtel	100.00	98.00	102.00	1,200	100.00
Hyundai	85.00	83.00	87.00	800	85.00
Daewoo	70.00	68.00	72.00	600	70.00
Bank of Montreal	60.00	58.00	62.00	500	60.00
Bank of Toronto	50.00	48.00	52.00	400	50.00
Canadian Pacific	40.00	38.00	42.00	300	40.00
Canadian National	30.00	28.00	32.00	200	30.00
Bank of Montreal	20.00	18.00	22.00	100	20.00
Bank of Toronto	15.00	14.00	16.00	100	15.00
Canadian Pacific	10.00	9.00	11.00	100	10.00

## BUILDING, TIMBER, ROADS - Contd

Stock	Price	Low	High	Vol	YTD
Bechtel	100.00	98.00	102.00	1,200	100.00
Hyundai	85.00	83.00	87.00	800	85.00
Daewoo	70.00	68.00	72.00	600	70.00
Bank of Montreal	60.00	58.00	62.00	500	60.00
Bank of Toronto	50.00	48.00	52.00	400	50.00
Canadian Pacific	40.00	38.00	42.00	300	40.00
Canadian National	30.00	28.00	32.00	200	30.00
Bank of Montreal	20.00	18.00	22.00	100	20.00
Bank of Toronto	15.00	14.00	16.00	100	15.00
Canadian Pacific	10.00	9.00	11.00	100	10.00

## CHEMICALS, PLASTICS

Stock	Price	Low	High	Vol	YTD
Shell	100.00	98.00	102.00	1,200	100.00
BP	85.00	83.00	87.00	800	85.00
Exxon	70.00	68.00	72.00	600	70.00
Amoco	60.00	58.00	62.00	500	60.00
Bank of Montreal	50.00	48.00	52.00	400	50.00
Bank of Toronto	40.00	38.00	42.00	300	40.00
Canadian Pacific	30.00	28.00	32.00	200	30.00
Canadian National	20.00	18.00	22.00	100	20.00
Bank of Montreal	15.00	14.00	16.00	100	15.00
Bank of Toronto	10.00	9.00	11.00	100	10.00

## DRAPERY AND STORES

Stock	Price	Low	High	Vol	YTD
Woolworth	100.00	98.00	102.00	1,200	100.00
Woolworth	85.00	83.00	87.00	800	85.00
Woolworth	70.00	68.00	72.00	600	70.00
Woolworth	60.00	58.00	62.00	500	60.00
Woolworth	50.00	48.00	52.00	400	50.00
Woolworth	40.00	38.00	42.00	300	40.00
Woolworth	30.00	28.00	32.00	200	30.00
Woolworth	20.00	18.00	22.00	100	20.00
Woolworth	15.00	14.00	16.00	100	15.00
Woolworth	10.00	9.00	11.00	100	10.00

## BUILDING, TIMBER, ROADS

Stock	Price	Low	High	Vol	YTD
Bechtel	100.00	98.00	102.00	1,200	100.00
Hyundai	85.00	83.00	87.00	800	85.00
Daewoo	70.00	68.00	72.00	600	70.00
Bank of Montreal	60.00	58.00	62.00	500	60.00
Bank of Toronto	50.00	48.00	52.00	400	50.00
Canadian Pacific	40.00	38.00	42.00	300	40.00
Canadian National	30.00	28.00	32.00	200	30.00
Bank of Montreal	20.00	18.00	22.00	100	20.00
Bank of Toronto	15.00	14.00	16.00	100	15.00
Canadian Pacific	10.00	9.00	11.00	100	10.00

## DRAPERY AND STORES - Contd

Stock	Price	Low	High	Vol	YTD
Woolworth	100.00	98.00	102.00	1,200	100.00
Woolworth	85.00	83.00	87.00	800	85.00
Woolworth	70.00	68.00	72.00	600	70.00
Woolworth	60.00	58.00	62.00	500	60.00
Woolworth	50.00	48.00	52.00	400	50.00
Woolworth	40.00	38.00	42.00	300	40.00
Woolworth	30.00	28.00	32.00	200	30.00
Woolworth	20.00	18.00	22.00	100	20.00
Woolworth	15.00	14.00	16.00	100	15.00
Woolworth	10.00	9.00	11.00	100	10.00

## ELECTRICALS

Stock	Price	Low	High	Vol	YTD
ABB	100.00	98.00	102.00	1,200	100.00
ABB	85.00	83.00	87.00	800	85.00
ABB	70.00	68.00	72.00	600	70.00
ABB	60.00	58.00	62.00	500	60.00
ABB	50.00	48.00	52.00	400	50.00
ABB	40.00	38.00	42.00	300	40.00
ABB	30.00	28.00	32.00	200	30.00
ABB	20.00	18.00	22.00	100	20.00
ABB	15.00	14.00	16.00	100	15.00
ABB	10.00	9.00	11.00	100	10.00

## FOOD, GROCERIES, ETC

Stock	Price	Low	High	Vol	YTD
Unilever	100.00	98.00	102.00	1,200	100.00
Unilever	85.00	83.00	87.00	800	85.00
Unilever	70.00	68.00	72.00	600	70.00
Unilever	60.00	58.00	62.00	500	60.00
Unilever	50.00	48.00	52.00	400	50.00
Unilever	40.00	38.00	42.00	300	40.00
Unilever	30.00	28.00	32.00	200	30.00
Unilever	20.00	18.00	22.00	100	20.00
Unilever	15.00	14.00	16.00	100	15.00
Unilever	10.00	9.00	11.00	100	10.00

## HOTELS AND CATERERS

Stock	Price	Low	High	Vol	YTD
Marriott	100.00	98.00	102.00	1,200	100.00
Marriott	85.00	83.00	87.00	800	85.00
Marriott	70.00	68.00	72.00	600	70.00
Marriott	60.00	58.00	62.00	500	60.00
Marriott	50.00	48.00	52.00	400	50.00
Marriott	40.00	38.00	42.00	300	40.00
Marriott	30.00	28.00	32.00	200	30.00
Marriott	20.00	18.00	22.00	100	20.00
Marriott	15.00	14.00	16.00	100	15.00
Marriott	10.00	9.00	11.00	100	10.00

## INDUSTRIALS (Miscel.)

Stock	Price	Low	High	Vol	YTD
IBM	100.00	98.00	102.00	1,200	100.00
IBM	85.00	83.00	87.00	800	85.00
IBM	70.00	68.00	72.00	600	70.00
IBM	60.00	58.00	62.00	500	60.00
IBM	50.00	48.00	52.00	400	50.00
IBM	40.00	38.00	42.00	300	40.00
IBM	30.00	28.00	32.00	200	30.00
IBM	20.00	18.00	22.00	100	20.00
IBM	15.00	14.00	16.00	100	15.00
IBM	10.00	9.00	11.00	100	10.00

## ENGINEERING - Contd

Stock	Price	Low	High	Vol	YTD
ABB	100.00	98.00	102.00	1,200	100.00
ABB	85.00	83.00	87.00	800	85.00
ABB	70.00	68.00	72.00	600	70.00
ABB	60.00	58.00	62.00	500	60.00
ABB	50.00	48.00	52.00	400	50.00
ABB	40.00	38.00	42.00	300	40.00
ABB	30.00	28.00	32.00	200	30.00
ABB	20.00	18.00	22.00	100	20.00
ABB	15.00	14.00	16.00	100	15.00
ABB	10.00	9.00	11.00	100	10.00

## HOTELS AND CATERERS

Stock	Price	Low	High	Vol	YTD
Marriott	100.00	98.00	102.00	1,200	100.00
Marriott	85.00	83.00	87.00	800	85.00
Marriott	70.00	68.00	72.00	600	70.00
Marriott	60.00	58.00	62.00	500	60.00
Marriott	50.00	48.00	52.00	400	50.00
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Marriott	30.00	28.00	32.00	200	30.00
Marriott	20.00	18.00	22.00	100	20.00
Marriott	15.00	14.00	16.00	100	15.00
Marriott	10.00	9.00	11.00	100	10.00

## INDUSTRIALS (Miscel.)

May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May	Western Union 10 1/2	55	52 1/4	1 1/2
Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
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Apr. Oct.	Western Union 10 1/2	55	52 1/4	1 1/2
May				

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**MINES – Contd**[illegible]

**THIRD MARKET**

[illegible]

Blanking Hinge	30	—
Score Hinge	30	—

[illegible]

dividend on full capital, a fixed

**RESEARCH & INQUIRY**

Fls. 13% 97/00

[illegible]

Lead Securities  
MEPC

[illegible]

15	Cons Gold
22	Loan
43	Fin. & Inv.

**A selection of Options traded is given on the  
London Stock Exchange Report Page**

15	Cons Gold
22	Loan
43	Fin. & Inv.

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## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

**Continued on Page 37**

**AMEX COMPOSITE CLOSING PRICES** Closing prices  
November 20

**OVER-THE-COUNTER**  
Reading national market closing prices, November 20

[illegible]

## CURRENCIES, MONEY &amp; CAPITAL MARKETS

## FOREIGN EXCHANGES

## Long live the all-American cheese pizza

BY COLIN MILLHAM

IT IS hard to put into words the general feelings of frustration and annoyance felt by dealers on the subject of the US budget deficit.

To outline the problem it is necessary to understand that at the beginning of last week the market had high hopes the budget for the present financial year would be cut by \$30bn. This compared with the Gramm Rudman requirement of \$23bn.

By the end of the week had all but faded that there would be anything near a \$30bn cut, while some economists said there was no point in severely cutting back the budget programme if the economy was run-

ning into a recession. There were various comments on the situation, including the suggestion that in terms of the size of the total deficit \$7bn was neither here or there.

Probably the nearest reaction to the mood of the market was made by EBC Amby Bank on its Reuters screen on Friday, but the pages of the Financial Times are not the place to repeat such comments.

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Nomura adds it is hardly surprising that negotiations on the overall budget are taking weeks.

There are no important US economic figures this week, and

assuming some agreement on the budget deficit, this will leave the market with little to look for. Attention may turn to a possible meeting of the Group of Seven to discuss the world's economic problems.

If the US fails to come up with a budget cutting package

regarded as satisfactory by Japan, Canada and European G7 members, it is unlikely there will be any early meeting of finance ministers from leading industrial countries.

There is no point in a meeting of the G7 unless an agreement can be reached on measures to stabilize the foreign exchange. Or put in other words a way can be found to provide underlying support for the dollar. It has been assumed this would involve a coordinated cut of interest rates.

Among this week's news the UK trade figures are likely to prove as important as any, but will almost certainly not result in a change of economic policy.

A trade deficit in the region of \$1bn has been widely forecast and a current account shortfall of around \$400m.

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James Capel expects \$830m and \$230m and Morgan Grenfell suggests \$800m and \$200m.

In the present circumstances figures in this region will have no impact, but simply keep attention turned towards the US and the next move in the saga of the budget deficit.

## 2 IN NEW YORK

Nov 20	Close	Previous
2 Sept	1.7775-1.7785	1.7770-1.7780
1 month	1.7775-1.7785	1.7770-1.7780
3 months	1.7775-1.7785	1.7770-1.7780
6 months	1.7775-1.7785	1.7770-1.7780
12 months	1.7775-1.7785	1.7770-1.7780

Forward premiums and discounts apply to the US dollar

## STERLING INDEX

Nov 20	Close	Previous
9.30	75.4	75.4
10.00	75.4	75.4
11.00	75.4	75.4
12.00	75.4	75.4
1.00	75.4	75.4
2.00	75.4	75.4
3.00	75.4	75.4
4.00	75.4	75.4

## CURRENCY RATES

Nov 20	Bank	Spot	Forward
US Dollar	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
Canadian \$	0.7575-0.7585	0.7575-0.7585	0.7575-0.7585
Australian \$	0.7575-0.7585	0.7575-0.7585	0.7575-0.7585
Japanese Yen	153.940-153.945	153.940-153.945	153.940-153.945
Deutsche Mark	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
French Franc	6.5545-6.5555	6.5545-6.5555	6.5545-6.5555
Italian Lira	2036.00-2036.05	2036.00-2036.05	2036.00-2036.05
Spanish Peseta	166.66-166.67	166.66-166.67	166.66-166.67
Swiss Franc	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
British Pound	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785

## CURRENCY MOVEMENTS

Nov 20	Bank	Spot	Forward
US Dollar	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
Canadian \$	0.7575-0.7585	0.7575-0.7585	0.7575-0.7585
Australian \$	0.7575-0.7585	0.7575-0.7585	0.7575-0.7585
Japanese Yen	153.940-153.945	153.940-153.945	153.940-153.945
Deutsche Mark	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
French Franc	6.5545-6.5555	6.5545-6.5555	6.5545-6.5555
Italian Lira	2036.00-2036.05	2036.00-2036.05	2036.00-2036.05
Spanish Peseta	166.66-166.67	166.66-166.67	166.66-166.67
Swiss Franc	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
British Pound	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785

## OTHER CURRENCIES

Nov 20	Bank	Spot	Forward
Argentine Peso	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
Brazilian Real	0.7575-0.7585	0.7575-0.7585	0.7575-0.7585
Chinese Yuan	153.940-153.945	153.940-153.945	153.940-153.945
Indian Rupee	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
Israeli Sheqel	6.5545-6.5555	6.5545-6.5555	6.5545-6.5555
Malaysian Ringgit	2036.00-2036.05	2036.00-2036.05	2036.00-2036.05
Mexican Peso	166.66-166.67	166.66-166.67	166.66-166.67
Norwegian Krone	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
Portuguese Escudo	6.5545-6.5555	6.5545-6.5555	6.5545-6.5555
Romanian Leu	2036.00-2036.05	2036.00-2036.05	2036.00-2036.05
Soviet Ruble	166.66-166.67	166.66-166.67	166.66-166.67
South African Rand	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
South Korean Won	6.5545-6.5555	6.5545-6.5555	6.5545-6.5555
Taiwan Dollar	2036.00-2036.05	2036.00-2036.05	2036.00-2036.05
Thai Baht	166.66-166.67	166.66-166.67	166.66-166.67
US Dollar	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785

## FORWARD RATES

Nov 20	Bank	Spot	Forward
US Dollar	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
Canadian \$	0.7575-0.7585	0.7575-0.7585	0.7575-0.7585
Australian \$	0.7575-0.7585	0.7575-0.7585	0.7575-0.7585
Japanese Yen	153.940-153.945	153.940-153.945	153.940-153.945
Deutsche Mark	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
French Franc	6.5545-6.5555	6.5545-6.5555	6.5545-6.5555
Italian Lira	2036.00-2036.05	2036.00-2036.05	2036.00-2036.05
Spanish Peseta	166.66-166.67	166.66-166.67	166.66-166.67
Swiss Franc	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
British Pound	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785

## MONEY MARKETS

Nov 20	Bank	Spot	Forward
US Dollar	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
Canadian \$	0.7575-0.7585	0.7575-0.7585	0.7575-0.7585
Australian \$	0.7575-0.7585	0.7575-0.7585	0.7575-0.7585
Japanese Yen	153.940-153.945	153.940-153.945	153.940-153.945
Deutsche Mark	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
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Swiss Franc	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785
British Pound	1.7775-1.7785	1.7775-1.7785	1.7775-1.7785

## STILL DEBATING A UK BASE RATE CUT

THE MOST important UK economic news this week will probably be the trade figures. A current account deficit is widely forecast, which coupled with last week's announcement of high money supply growth, could be regarded as something of a problem.

But the US budget deficit will continue to outweigh all other factors. A weak dollar and the fragile state of the equity market should prevent any upward pric-

ing into a recession. There were various comments on the situation, including the suggestion that in terms of the size of the total deficit \$7bn was neither here or there.

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## EUROPEAN OPTIONS EXCHANGE

		Nov. 27		Feb. 28		May 26		
Series		Vol	Loss	Vol	Loss	Vol	Loss	Port
GOLD C		1.492	67	27 A	-	-	-	68.1
GOLD C		1.489	794	0.90	-	23.50	14	74.98
GOLD C		1.483	877	0.10	38	0.5.98	20	74.50
GOLD C		1.440	15	0.18	-	-	10	71
GOLD P		1.467	208	0.12	-	-	-	68.1

## SECTION III

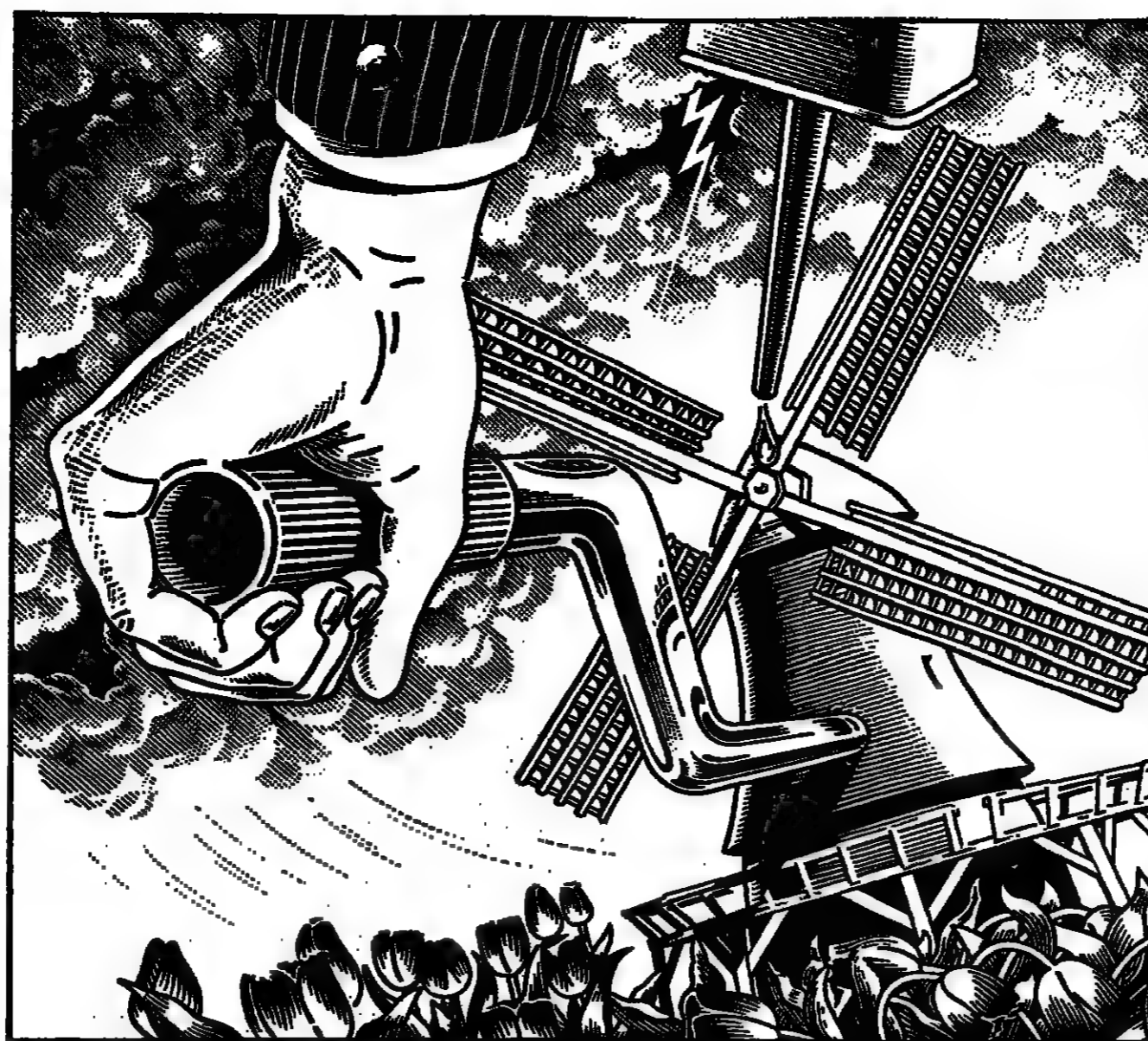
FINANCIAL TIMES  
SURVEY

Although the Dutch enjoy a relatively high standard of living, critical economists warn that the country is moving too slowly in cutting its budget deficit and its high welfare state costs, as Laura Raun, Amsterdam Correspondent, reports here.

## Facing tough decisions

RECONCILING a lavish welfare state with sluggish economic growth is the most profound problem facing the Netherlands today. It is inherently intertwined with high unemployment and is provoking an intense debate over the standard of living that can be guaranteed to every citizen. Unfortunately, most discussion centres on how to ensure that slowly expanding wealth is fairly shared out and less on how to create more wealth and therein lies the biggest risk for the future. The recent stock market crash and the dangerously cheap dollar are threatening to weaken the world economy and trade, factors which heavily influence an economy as wide open as Holland's. Dutch output may barely rise next year, joblessness may hardly fall and the big Government budget deficit may widen in the wake of the dollar's fall and the collapse of equities. But Mr Ruud Lubbers, the Prime Minister of the Netherlands, is confident that his Centre-Right Government will reconcile the welfare state with economic performance by sticking to its course. "We will go on controlling government spending, not exaggeratedly, but step by step - bringing down the deficit, working on zero inflation and keeping interest rates as low as possible -

that's the policy mix in the Netherlands," he explains. The Christian Democrat-Liberal Coalition Government entered office in 1982 on a platform of economic austerity, public sector rollbacks and market stimulation. Now, in its second term, the Lubbers administration has achieved some success in paring the budget deficit, shrinking the collective sector and fostering a recovery in corporate profits. The Lubbers formula is more or less the same as is being applied in most western countries struggling to put public finances in order and to promote private enterprise. But in the Netherlands such developments have gone further than in many others. The social security system is nearly the biggest and most generous in the world, while its economic growth is among the weakest. Critics warn that the Dutch are moving too slowly in cutting the budget deficit and welfare state because costs are far outpacing the means to sustain it. The Hague borrows between 10 and 20 per cent or more of its expenditures every year and state debt will mushroom to exceed net national income (NNI) in 13 years if nothing is done, according to the Finance Ministry's own figures. The Netherlands' economy expanded less than all 26 members of the Organisation for Eco-



The Dutch economic engine is showing signs of spluttering.

## The Netherlands

nomic Co-operation and Development (OECD) except Belgium for the five years up to 1985 (latest figures available). This year's Gross National Product (GNP) growth of around 1.5 per cent is below the European Community average - and next year's officially forecast 1 per cent rise would be half of the EC average. Defenders note, however, that the Dutch enjoy a high standard of living about on a par with Austrians and slightly above Britons. They boast an efficient infrastructure, modern housing and ample consumer goods, if rather few luxuries. Rates of crime, divorce and infant mortality are lower than in many other western nations, despite sensational stories of open drug use, antisocial squat-

ters and assaults on the Prime Minister's home. Creature comforts have always ranked high in Dutch society and today more than half of all government spending goes to families and businesses through transfer payments. Welfare benefits, unemployment payments, housing subsidies, child allowances and a myriad of other schemes have proliferated in number and risen in levels. The public sector has grown rapidly over the past three decades and now accounts for 64.5 per cent of National Income (NI), the second largest behind Sweden in the OECD. That figure peaked at 70.6 in 1983 but was half as big in the early 1960s. Most threatening is that one-

third of all state expenditures are made through open-ended programmes which provide benefits to everyone who qualifies. No limits are imposed so that money flows when people sit. Prime Minister Lubbers, who was educated as an economist, insists that fiscal austerity is moving as fast as it can on economic and political grounds. If The Hague slashed spending more deeply or quickly it could throw the country into a recession, regardless of trade and currency prospects. On political grounds, the Lubbers administration wants to avoid steeper wage demands from trade unions, which presumably would bargain for bigger rises if transfer payments were reduced. More to the point,

is that one-in-six workers is employed by the Government while virtually every man, woman and child in the Netherlands benefits from the welfare state. The highly charged debate on how far to trim the extensive welfare state centres on three major questions: is a large collective sector bad, how many services can the state perform and how much should the burgher expect? One influential Member of Parliament, Mr Bert de Vries, the Party Whip for the ruling Christian Democrats, clearly does not think that big government is bad. He wants to put a floor under "the caretaker state" so that it does not fall below 60 per cent of national income.

Combined taxes and welfare premiums are so progressive that salary increases and overtime work sometimes leave the worker with less take-home pay. On the other side of the ledger, transfer payments are so massive that they obstruct market allocation of resources. Labour, housing and education are three of the worst offenders. Joblessness has not fallen below 14 per cent in six years, partly because unemployment, disability and welfare benefits are so high and permanent. The unemployed have less economic incentive to take a job

while as many as one-third of the "disabled" are believed to have defrauded the government in applying for benefits. To be fair, Holland's joblessness also is a result of demographic factors. Women and youths have flooded the labour market much later than in the rest of Europe, keeping supply above demand. The housing market is perhaps even more distorted by subsidies to everyone - renters, owners and builders alike. One of the worst political scandals in post-war history has involved illegal building subsidies funneled through the civil servants union. One-quarter of all tenants receive rent subsidies and 55 per cent of all dwellings have been built with construction subsidies. A relatively high 55 per cent of the population rents its abode, but widespread rent controls have limited property yields and discouraged residential construction. As a result, housing shortages plague bigger cities, notably Amsterdam, although it is fair to talk about artificial shortages in that many dwellers refuse to pay market-related rents. They know that if they queue long enough they can obtain council housing, a subsidy for moving into a more expensive flat or even join the militant squatters' movement. Prime Minister Lubbers agrees that subsidies must be pared but contends that it is politically and economically difficult to do so. "As soon as I cut one subsidy, it would mean that in wage regulations the trade unions are going to demand a half percentage point increase," he explains. "The amount of housing subsidies is too high... (but) we are hampered by high real interest rates, internationally."

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The so-called "bert norm" would still leave the Netherlands with a larger public sector than West Germany, its major trading partner, the UK and the US. Mr Lubbers, also a Christian Democrat, tends to agree but balks at pegging a figure for the size of government.

"The percentage of the collective sector is not in itself a decisive factor for economic growth," he avers. "The real story is how we can bring down unemployment and at the same time bring down income transfers in our welfare state."

A number of economists, however, especially at the OECD, disagree with this view and argue that big government hampers the creation of wealth. "With total government outlays exceeding 60 per cent of GDP, resource allocation was judged to be inefficient, all the more since resources tended to be allocated through an administrative process rather than through the free play of market forces," says the OECD in describing conditions when the Lubbers administration entered office.

"Emphasis should continue to be placed on structural actions aimed at restoring adequate incentives, improving the functioning of markets and more generally enhancing the flexibility of the economy," the OECD continues. "Within this overall framework, concrete policy measures should be guided by the need to bring down the budget deficit, to curb structural unemployment and encourage investment."

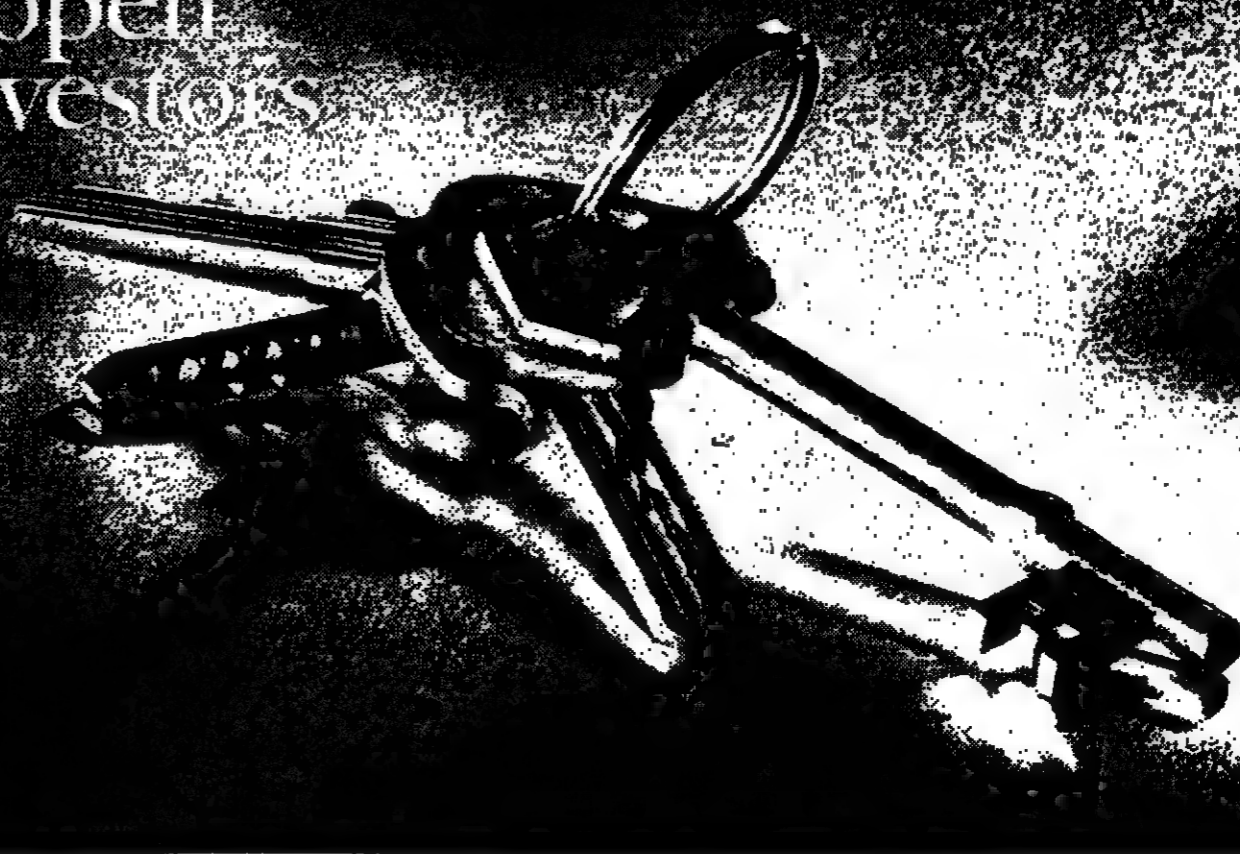
A second question in the welfare state debate is what transfer payments and services can the state afford to provide. The answer is an amount compatible with revenues and a market economy. Any size of government is affordable if taxes are high enough - and Holland has some of the highest in the world.

Combined taxes and welfare premiums are so progressive that salary increases and overtime work sometimes leave the worker with less take-home pay. On the other side of the ledger, transfer payments are so massive that they obstruct market allocation of resources.

Labour, housing and education are three of the worst offenders. Joblessness has not fallen below 14 per cent in six years, partly because unemployment, disability and welfare benefits are so high and permanent.

The unemployed have less economic incentive to take a job

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## NETHERLANDS 2

The Dutch political spectrum has seldom looked so narrow

## Viewpoints are converging

POLITICS in the Netherlands is always a matter of marginal differences of opinion - some might say indecipherable to the untrained eye. But rarely - if ever - has the political spectrum been narrower than today, with major political parties all espousing uncannily similar ideas.

The Christian Democrats and Liberals, governing partners in the centre-right coalition, are closer than ever in their policies of economic austerity, shrinking the welfare state and fighting high unemployment. The Labour Party, the largest opposition party, has adopted unprecedentedly moderate labour, income and welfare policies.

With more than two years still to go before the next general election, the Government of Mr Ruud Lubbers, the Christian Democratic Prime Minister, seems likely as not to win a third term in office. However, if the Socialists actually adopt the more flexible positions now being bandied about - and that is a big if - then a Christian Democrat - Labour coalition - looks more possible.

The remarkable convergence of political thought in a country already noted for a high degree of homogeneity is explained by several trends. One is that the political spectrum has swung toward the right in the past decade, like most western countries to a greater or lesser extent. Another is that mainstream parties have gained support while fringe ones have lost, a pattern especially prominent in the May 1986 general elections.

Yet another trend is the so-called "de-pillarisation" of Dutch society, which in the past was organised along religious lines that ran up and down through society like pillars, religious affiliation (or lack thereof) usually determined party membership, which school a child would attend and which hospital would care for a family. For example, Roman Catholics traditionally voted Christian Democrat and free-thinking humanists might vote Liberal. Today these pillars are crumbling.

Because of the myriad of political parties, now numbering 11 in the Tweede Kamer (parliament), Dutch governments are comprised of coalitions, with the Christian Democratic Appeal (CDA) forming the swing party which is always involved. Despite the convergence of political thought, there is no reason to expect that even the biggest single party, now the CDA, could gain enough parliamentary seats to govern alone.

The like-mindedness of current thinking has been amply displayed in a flurry of soul-searching reports being produced by the big political parties. These reports seek to identify social trends and define party policies that will decide the next general election, in 1990.

The Labour Party (PvdA) recently unveiled a highly controversial report, postically entitled "Shifting Panels," which

**Labour, the largest opposition party, has adopted unusually moderate policies on incomes, labour and welfare.**

centres on the theme of "guided flexibility." The report, under the chairmanship of former Prime Minister Jan Pronk, stops just short of advocating a reversal of some of the party's most fundamental positions.

In labour policy it suggests dropping the goal of a shorter working week and agreeing to weekend work, thus giving up the free days for which unions fought long and hard. The report also proposes a basic income for the unemployed, so that jobless benefits can be decoupled from working wages to allow the employed more flexibility in bargaining.

Defence policy represents one of the most dramatic shifts in the report. In the past, under the tutelage of more radical leaders, the Socialists obstinately urged the abolition of all nuclear weapons.

Now, under the more pragmatic guidance of Mrs Marjanne Sint, chairman of the party, a policy of nuclear deterrence in co-operation with European NATO allies is proposed. Complete denuclearisation might remain as an ultimate goal, but it recedes so far into the distance as to disappear over the horizon.

Mrs Sint, who has served in her post for only half a year, explained that the report aims to cast Labour as a credible coalition party in 1990. In last year's general election it was Labour's rigid stance - especially in opposition to nuclear missiles and insistence on holding the premiership - that isolated the party.

"The most essential thing is to be seen as a potential coalition partner," Mrs Sint asserts. "We have no positions that are not

negotiable. That is the difference with the past."

The new flexibility even extends to the People's Party for Freedom and Democracy (VVD), the right-of-centre Liberals, who are usually on the opposite side of every issue. "The door is open to the VVD as a possible governing partner in 1990," Mrs Sint says, without flinching.

But the overtures have been brusquely rebuffed by the pro-business Liberals. Mr Joris Voorhoeve, VVD's parliamentary leader, says dismissively: "The PvdA are a party with frustrated people, outdated policies and no wrong solutions. Unbridgeable gaps exist between the two parties in government spending, taxes, market forces and defence, he explains.

It remains to be seen whether the differences will narrow in the wake of the Shifting Panels report. Rank-and-file members of the Labour Party must approve of "guided flexibility" before it becomes party policy and a major showdown seems in store.

Mr Wim Kok, the PvdA's parliamentary leader, has scorned the report as misguided, especially in labour policy. "It is very much a question whether the many advantages which the (Pronk) commission links to gradual flexibility will indeed appear," says Mr Kok, who previously headed the Netherlands' largest union federation.

A major dilemma for the Socialists is how to appeal to a more conservative electorate while maintaining a distinct identity from the centrist Christian Democrats. Mrs Sint explains that labour cares more about personal freedom, equal opportunity, democratic solidarity and fair sharing-out of wealth.

But none of this sounds much different from what the Christian Democrats are saying in their own introspective report called "The Responsible Society" and what the Liberals are likely to say in their forthcoming study. The Christian Democrats, a mid-70s amalgamation of Protestant and Catholic parties, are struggling to develop a plausible concept for a post-welfare state society.

Proposals centre on replacing costly state and semi-governmental services with free, voluntary aid provided by family, friends and neighbours. Greater responsibility and concern on the part of individuals could foster law and order better than more policemen, goes the argument.

Talk of a moral revival makes many Dutchmen nervous but the

replacement of a "caretaker state" with a "caring society" clearly involves moral bonds, which have weakened in the Netherlands, just as they have in other western societies. The CDA is aiming to rekindle these links as an ethical way of cutting the enormous costs of a welfare state that doles out subsidies for everything from vacations for the unemployed to special schools for Hindu children.

The Liberals, as junior partners in the governing coalition, have tended to steer clear of discussions on forging a new kind of welfare state that will rely on moral bonds rather than legal obligations. Instead, they look to classically libertarian issues to create a momentum for the 1990 election.

Promoting private enterprise, cutting taxes and combating crime are at the top of the list. These policies, they say, are the best way to reduce stubbornly high unemployment - probably the most politically sensitive topic for 1990.

Mr Voorhoeve, an articulate conservative intellectual, notes with pride that the other political parties have moved closer to Liberal views on many important issues. Law and order was a VVD hobbyhorse in the 1960s and has now been taken up by most other parties. Reductions in the Netherlands' extremely high taxes and welfare premiums - a VVD clarion call for years - have now been adopted by the Christian Democrats, even by the hard-line Finance Minister who used to be adamantly opposed.

"If the Liberals are a dark blue circle, then the background has turned more blueish," Mr Voorhoeve explains.

With the political mood more conservative in general and pro-business Yuppies still in fashion, the VVD should be riding high in public opinion. Ironically, it is not. The party suffered embarrassing losses in last year's general elections.

Translating the favourable climate into electoral support would seem to be the task at hand, but the Liberals care more about power than popularity. Mr Voorhoeve concedes that the Christian Democrats have stolen his thunder on a number of issues but insists that the people know the Liberals had the ideas first.

"Sometimes you have to trade votes for power in a coalition," he admits. "It is nice to have both, but it is not always possible."

Laura Rosen



Mr Ruud Lubbers, the Dutch Prime Minister, confident about his austerity policies.

## Popular Premier firmly in control

centre-right Government of qualities that underlie any success story in the Netherlands. He entered office in November 1982 on a platform of less government and more private sector.

Criticism from the Organisation for Economic Co-operation and Development that he should deepen and hasten spending cuts is politely deflected. "We have made a plan for this four-year period and we will stick to it and we are not going further," he insists. "Just because the OECD secretariat invites us to cut more sharply is no reason to do it."

Only when pressed repeatedly does Mr Lubbers admit to some nagging fears that more should be done. "We still have some way to go in reducing subsidies, and you have a political problem in going faster," he concedes, arguing that wage demands would rise if subsidies were trimmed more quickly. Falling government revenue from national gas also makes it hard to shrink the budget deficit faster.

Mr Lubbers, an indefatigable 48-year-old, is the most popular and respected politician on the Dutch scene since Prime Minister Willem Drees, who created the welfare state in the 1960s. His formula is simple and quintessentially Dutch: honesty, sobriety, modesty - and shrewdness.

A Roman Catholic, he nevertheless possesses the Calvinistic virtues that underlie any success story in the Netherlands. He works from dawn to dusk, eats a broodje (sandwich) for lunch and worships on Sunday. He acts like a burgher and thinks like a premier. That is what the Dutch demand: leaders who reflect bourgeois values and yet are inspired enough to show the way.

The political climate in this country is different from Great Britain, where the tougher you are, the more virtue you have, observes Mr Lubbers. "We are more moderate, we move step by step - it's part of our culture."

Lubbers is hardly protected - no bodyguards routinely follow him and his home is patrolled only by the local police. More precautions have been taken in the wake of the assaults but, like the Swedes after the assassination of Prime Minister Olof Palme, the Dutch believe things have gotten out of hand.

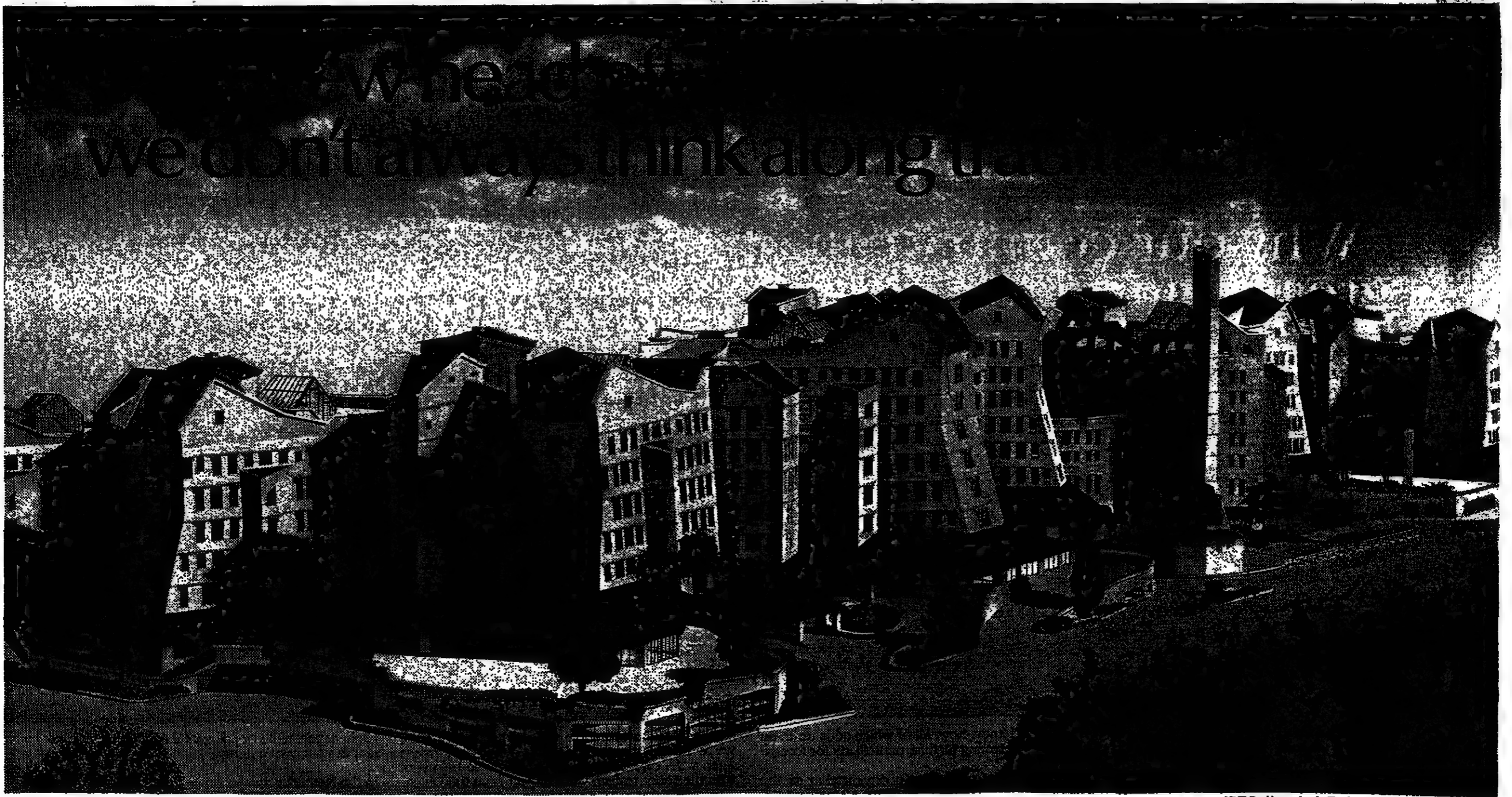
"There is a feeling in the Netherlands that we are paying the price for permissiveness, especially in the area of crime," the Prime Minister admits. "There is an attempt to combine freedom with more social control. Not the old-fashioned sort of social control but by individual responsibility."

He firmly believes that a "caring society" must replace the "caretaker state" in promoting safety in the streets as well as providing many of the social services now furnished by a lavish welfare state. "We think the problem of permissiveness can't entirely be solved by the state and by laws. We have to develop an alternative to the welfare state by reducing the role of the state and increasing the role of the citizen."

If joblessness does not fall to at least 500,000 by 1990, when the next general elections are scheduled (from 687,000 now) then Mr Lubbers says he will not stand for Prime Minister again.

A 27 per cent drop in the number of unemployed by the turn of the decade is doubtful, according to economic forecasters, but Mr Lubbers is holding fast to his promise for now. Whether he does so in 1990 remains to be seen.

Laura Rosen



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## NETHERLANDS 3

## Stock market turmoil

## Trying to keep cool

IF PROPHECIES are self-fulfilling, then Dutch financial markets will survive rather well the worst stock market crash in modern history.

Government leaders, corporate chiefs, union bosses and fund managers have done their level best to talk down the prospects of an economic recession in the wake of the bourse collapse. Within a week of Black Monday, October 19, more than one-fifth of the Amsterdam Stock Exchange's value was wiped away - just as it was on most bourses in the world.

But the Dutch have sought to soothe fevered brows with the calm of reason.

"In general (corporate) liquidity is so simply available that I don't see much of a problem when looking to the Netherlands," observed Mr. Rijkman Groenendaal, the Prime Minister.

Educated as an economist, Mr. Lubbers admits that "there might be some companies who are on the point of issuing stock who may wait and see." But so far he has seen no direct threat to the Dutch economy.

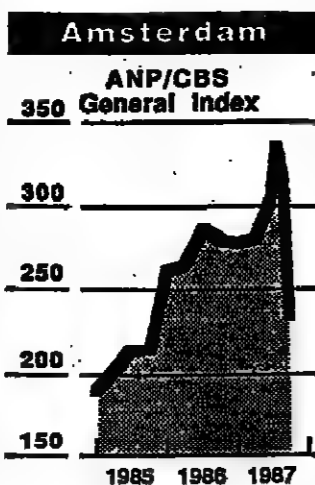
But the Dutch have sought to soothe fevered brows with the calm of reason.

His words were echoed by Mr. H. J. Lemstra, economist for the FNV, the largest labour federation. "We are not going to be the prophets of doom. It is obvious that we are worried. But there is no reason for special consultations within the FNV."

However, it is virtually impossible for the Netherlands to escape the vicissitudes of the world economy. With foreign trade making up nearly two-thirds of the economy, Holland can be whipped about like a cork on the ocean.

As the worldwide equity crash showed, global trading has arrived and no financial market is immune. Nevertheless, the financial markets play a smaller role in the Dutch economy than in the UK or US.

Dutch companies generally use the stock market less for raising capital, preferring to finance investments from internal



resources if possible. Of course fresh capital raised through share issues has risen in line with bourse prices, nearly tripling to Fls 2.3bn in 1986 from Fls 820m in 1984.

"Volcapitalisme," or people's capitalism, has drawn less attention than in other countries such as Britain, France and Italy where state ownership of companies has been wider. Private ownership of securities has risen to 12 per cent of all households in the Netherlands from 9 per cent three years ago but that level is still well below Britain's 30 per cent and America's 25 per cent.

The two biggest Dutch privatisations on the horizon are far enough into the future to escape jeopardy. DSM, the state-owned chemicals company, is slated for sale to the public later next year and the Postbank, an amalgamation of the post office bank and national savings bank, is still several years away.

Yet the question still remains whether companies in need of money will find an avenue closed off. Reassuring words about corporate liquidity could prove empty.

Philippe, the Dutch electronics giant, has been struggling to decide whether to go ahead with plans to spin off one-fifth of Polygram, its music production subsidiary, through an international equity offering. The proceeds would have been used in part to pay for the acquisition of the stake in North American Philips not already owned by the Dutch parent.

The \$68m price tag for the 49 per cent of North American Philips must still be paid by Polygram which, if it is floated at all, will presumably fetch much less

than originally expected.

As far as investors are concerned, the damage is less than might be expected from the size of the bourse declines. Both institutional and private investors have avoided taking real losses in stock portfolios and are carrying paper losses. A fund manager for one of the Netherlands' largest pension funds says simply: "We haven't sold. We are bargain hunting. A lot of tight-lipped people are buying."

Dutch pension funds are among the largest in the world and also some of the most conservative, investing on average only 10 per cent or less in equity and the rest mostly in Dutch government bonds. Yields average 8-9 per cent, modest when compared with funds that have been invested more heavily in stocks.

Last month's stock market crash has probably convinced many fund managers that their caution has paid off but the trend toward greater equity holdings is likely to continue.

Fund managers realise that they have access to a growing number of instruments for "portfolio insurance," such as index options, which can clearly limit losses.

Some fall-out from the market crash has been seen among jobbers and market makers. Melleers and Van den Esker, one of Amsterdam's largest stockbrokers or jobbing firms, was rescued by a leading options market maker, Amsterdam Options Trader (AOT), after suffering a liquidity crisis.

The stock exchange and European Options Exchange in Amsterdam imposed trading restrictions on several other jobbing firms and market makers that encountered liquidity problems. The likely outcome is even more consolidation among these market players who have already joined forces to withstand the heightened competition of financial market liberalisation worldwide.

One of the most intriguing aspects of Black Monday has been the Dutch Finance Minister's suggestion that now is an opportune time for more takeovers. Mr. H. Onno Ruding recently argued that more mergers and acquisitions would strengthen Dutch companies, which are so protected by anti-takeover devices that hostile bids are virtually unknown.

"I have the feeling that there are good arguments for some what fewer protective constructions in the Netherlands," he says.

ONCE AGAIN the Netherlands finds itself drifting into perilous economic waters which threaten to swamp Government efforts to deal successfully with two of its most intractable problems - high unemployment and a deficit that in proportional terms makes the US deficit look tiny.

Over the past two years the Dutch economy has been beset by a series of squalls in the form of slumping prices for its main commodity, gas, a rapidly appreciating guilder and a sharp slowdown in growth.

More ship-shape than they were three or four years ago, the Government and exporters have battered down the hatches in an attempt to remain on course. But the prolonged battering is beginning to take its toll and with the outlook further clouded by uncertainty in the world's stock markets, few are optimistic that calmer waters are waiting over the horizon.

Even before Black Monday, real economic growth measured in terms of gross national product was projected to be just 1 per cent or less in 1988, down from a less-than-convincing 1.5 per cent or thereabouts for this year.

If net national income (real GNP less depreciation) is used as a measure, as favoured by the Hague, then it seems possible that there will be little or no growth at all next year.

After steaming hard in an effort to catch up in the mid-1980s, Holland yet again finds itself lagging behind its less vulnerable and more aggressive partners in the Organisation for Economic Co-operation and Development. OECD growth is expected to average around 2.5 per cent this year, well above the level in the Netherlands.

Other key economic indicators also look bleak. A much-needed spurt in domestic investment looks to be grinding to a halt and the normally assured large balance of payments surplus may fall below Fls 5bn. The long-standing budget deficit problem is far from being brought safely under control, while a welcome growth in job creation over the past few years is slowing rapidly.

Perhaps the most politically sensitive of all the issues facing Mr. Lubbers is unemployment. The number of registered jobless is expected to fall by 30,000 to 680,000 this year, about 15 per cent of the labour force. But with outlook for growth stagnant it will decline even less in 1988. The target of cutting the jobless by 200,000 between 1986 and 1990 seems impossible.

Even Mr. Rijkman Groenendaal, the Prime Minister, is having nagging doubts about the future. The Netherlands, like most other OECD countries is aiming for sustainable growth of 2 per cent to 3 per cent. Two per cent is a bare minimum, he says.

Mr. Lubbers has fought hard to jolt the Netherlands out of the lethargy induced by a top-heavy welfare state, and with some success.

Encouraged by a Government more sympathetic to wealth creation and spurred by a buoyant world economy, in the mid-1980s the Netherlands recorded four years of sustained GNP growth at around 2 per cent.

The improvement coupled with a strong mandate from the electorate spurred the Government to try even harder to tackle the nasty bunch of long-term structural problems still plaguing the nation: an unsustainable government deficit which it was feared could end up being 100 per cent of gross domestic product by the beginning of the next century; an unemployment rate among the highest in the OECD; and a welfare system which, despite the change in attitudes still does much to discourage hard work, entrepreneurial initiative and the evolution of a more responsive labour market.

But just as it looked as if the Hague was beginning to get a handle on the problems, government policy makers have been knocked off course by factors terms even more serious than

beyond their control. The unexpected squalls have come quick and fast.

First, the remarkable fall in oil (and therefore gas) prices in 1986 has played havoc with government revenues, cut exports and sent profits plunging in the country's large gas production sector.

Because of time lags the full impact of the oil price fall did not show through in the budget until 1987. Government gas revenues plummeted from Fls 21.4bn in 1986 to about Fls 10.5bn this year. Dr. Onno Ruding, the Finance Minister, reacted by introducing an austere budget aimed at cutting expenditures by Fls 5.4bn and raising tax revenues by Fls 5.2bn.

In the event, open-ended spending schemes, notably in education, have pushed expenditures higher than planned and the deficit is likely to rise from about Fls 24bn last year to Fls 27bn in 1987, increasing the central government deficit to about 7.5 per cent of national income from around 6.25 per cent last year.

Mr. Lubbers' target of getting it down to 6.25 per cent of national income by 1990 now looks extremely difficult. Though Holland is in the enviable position of not borrowing abroad, the problem is not a small one. In the words of Mr. Rudolf de Korte, the Economics Minister and Vice-Premier: "Our budget deficit in percentage knocked off course by factors terms even more serious than

the US budget problem." Total net government debt is currently running at about 68 per cent of national income. According to the OECD, even if the Government does meet its annual targets, it would rise to around 80 per cent of national income by 1990.

Secondly, a rapidly appreciating guilder in 1986 and 1987 has made life increasingly tough for Holland's vital export sector, threatening overall economic growth, cutting into the current account surplus and storing up further problems for the budget next year.

Even before "Black Monday," GNP was forecast to be 1 per cent or less in 1988 down from about 1.5 per cent for this year.

Currency considerations are vital to a country like Holland which earns almost two-thirds of its income abroad. The guilder rose against the dollar by around 25 per cent in 1986 and by November this year had appreciated a further 14 per cent. Dutch manufacturers face their toughest problems in the US and other dollar-linked markets, but they are meeting tougher competition in Europe from weaker EC currency countries and from more

competitive American exporters. In value terms exports fell about 13 per cent in 1986 to Fls 206bn, but exporters successfully cut profit margins in an effort to retain market share. This year, with less fat to trim, the going has been even tougher. Add to this the sharp fall in the value of gas exports (down around Fls 4bn) and the current account surplus is forecast to fall from Fls 12.5bn in 1986 to around Fls 4.5bn this year, one of its lowest levels this decade.

Third, Holland's highly open economy, already suffering from the recent slowdown in world trade and economic growth, will next year have to contend with any downturn that results from this autumn's crash on world stock markets.

The debate over the precise fall-out continues but few are in any doubt that it will have a downside effect.

The Government is playing down the potential dangers. "The crash will have a negative effect on our economy but we should be careful not to talk ourselves into recession," says Mr. de Korte. But most are marking down the main economic indicators for next year.

Even before the crash these were far from encouraging. In August the Central Planning Bureau, the semi-government forecasting agency was predicting 1 per cent GNP growth for 1988, nil per cent growth in business investment, a 0.5 per cent increase in consumer spending and a reduction in the number of registered jobless of just 25,000.

Amro, the country's second largest bank, sees Dutch growth slowing by half a percentage point in 1988, the budget deficit falling only slightly and, overall, even more pain for Dutch exporters.

Mr. Lubbers must be cursing his luck. He has done well to keep inflation down to less than 1 per cent this year and Dutch interest rates are also among the lowest in the OECD. But he had been banking on continuing growth, coupled with his "slow but steady" policy measures, to overcome the structural problems. Now that growth has turned sour his breathing space has gone and with it any real hope of meeting the Government's key targets on the deficit and unemployment.

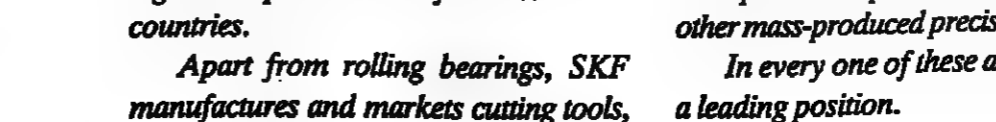
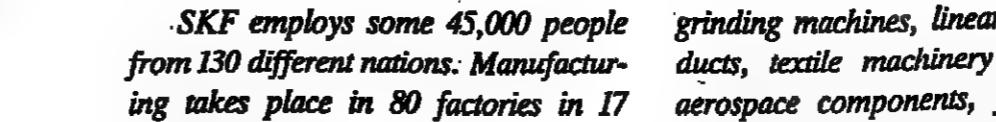
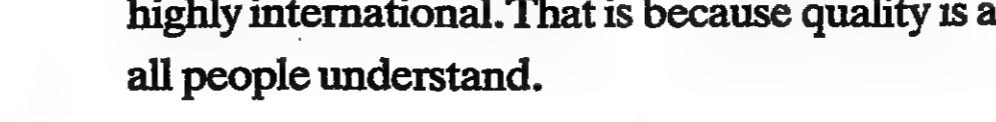
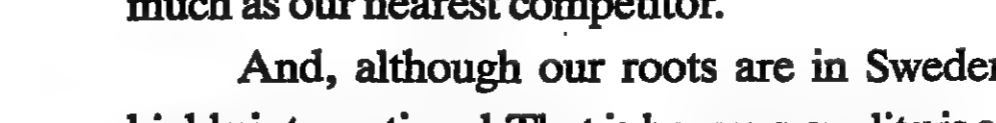
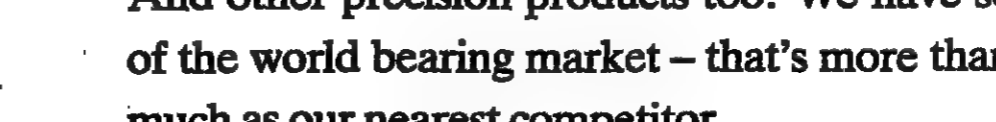
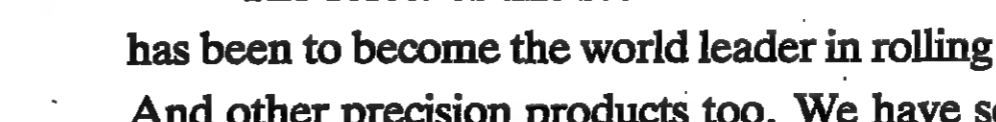
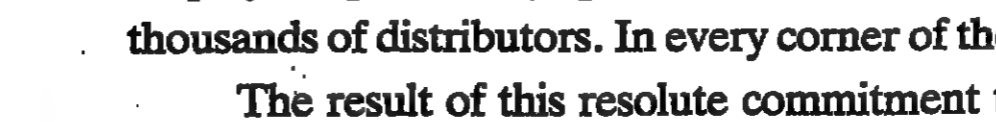
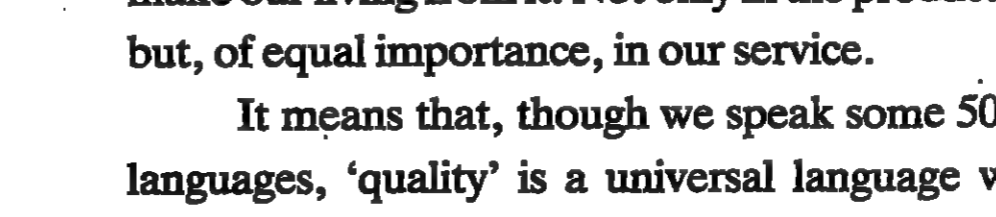
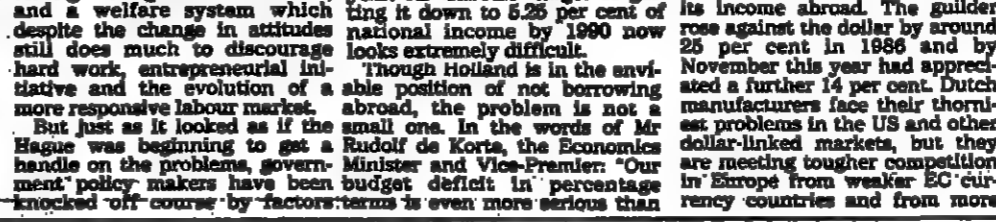
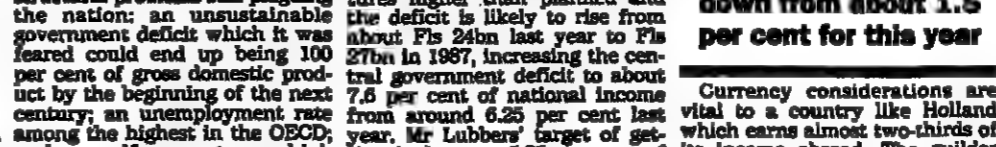
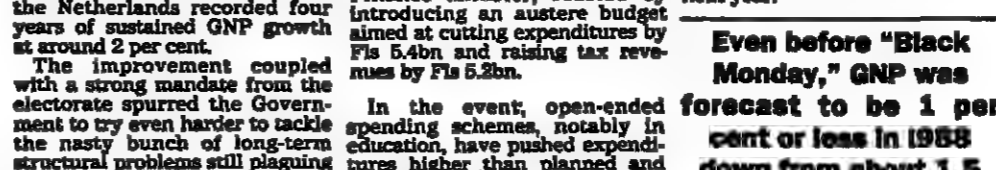
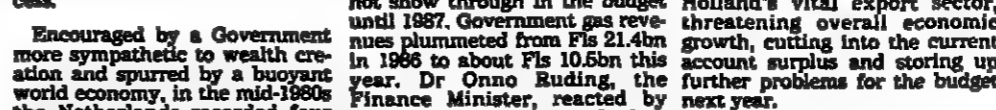
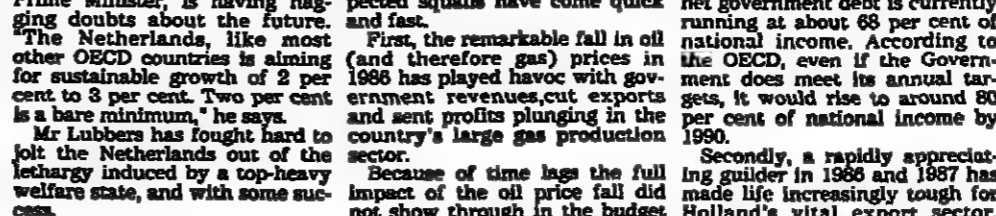
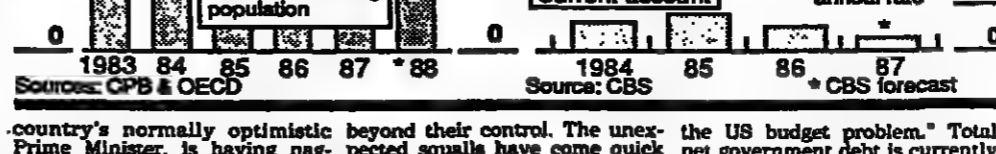
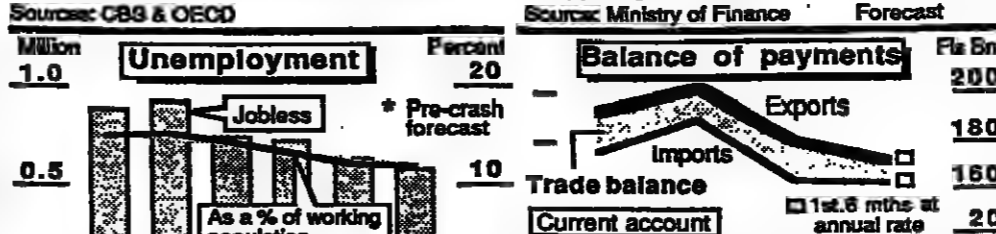
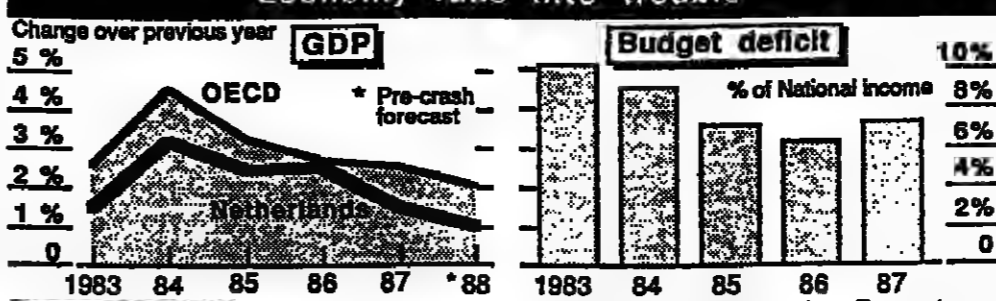
He may yet come to feel that his slow but sure consensus approach to achieving a change of direction - the one traditionally adopted by Dutch leaders - has been at least a couple of shades too cautious.

Richard Cowper

## Economic prospects clouded by uncertainty

## Perilous waters ahead

Economy runs into trouble



## NETHERLANDS 4

New challenges to Holland as "the gateway to Europe"

## Anxieties in the cargo sector

THE WARM and sunny south is casting a mid-day shadow over Holland's ambitions to retain its role as the natural transport and communication gateway to Europe.

The southward drift in West Germany of rising high-tech industries, the entry into the Common Market of the fast-growing economies of Spain and Portugal, and continuing expansion in Italy are causing some industry experts to wonder whether in the next century Holland's strategic location, close to the old industrial heartlands of Europe, will not cause it to miss out on some of the most exciting developments in the Community.

In addition, there is concern that in several key areas Holland may have been slow to adopt new information technology in the management of traffic systems and cargo flows to ensure that it retains its competitive edge as a quick and efficient provider of transport and related services.

High labour costs and other structural problems arising out of the country's top-heavy welfare state have also added to worries about the future.

The Dutch have a lot to lose. The country's transport, communications and distribution sector is of major importance to an economy in which trade accounts for about two-thirds of Gross National Product. A sizable proportion of this is entrepot trade, using the Netherlands primarily as a conduit for onward distribution.

Rotterdam is by far the world's largest port, Amsterdam's Schiphol airport is Europe's fourth largest carrier of air freight, Dutch barge companies account for almost half of all international traffic on 80 inland waterways, and Dutch trucking companies carry about a quarter of the international freight carried on European roads.

Nowhere are the stakes so high as at Rotterdam. Based on its vital strategic location at the mouth of Europe's busiest river, the Rhine, the port and its surrounding area generate about 13 per cent of Holland's GNP. Rotterdam's post-war strategy of going all out for high-volume growth has yielded high dividends: last year the port handled 250m tonnes of oil, raw materials and general cargo. This was almost 100m tonnes more than the Japanese port of Kobe, its nearest rival, and more than Marseilles, Antwerp and Hamburg - Europe's other top three ports - combined.

But Rotterdam cannot afford to rest on its laurels. The days of spectacular volume growth for the port are over, and experts argue that it now needs to adopt a new strategy for the future, concentrating on added value rather than tonnage moved.

The southward drift of many of Europe's industries of the



The port of Rotterdam: the Dutch have much to lose if they see a decline in their transport, communications and distribution sectors.

future means the port can no longer rely on its once seemingly unassailable geographic location. To meet the threat from competitor ports, such as Hamburg, Genoa, Marseilles and Antwerp, and from alternative transport systems which might bypass Holland, such as the proposed north-south high-speed freight trains in West Germany and the Anglo-French Channel tunnel, Rotterdam will need to double its efforts to offer better, faster, more efficient cargo handling and an ever-wider range of additional services.

A real test of Rotterdam's will and its ability to remain on top is already in the making in the high-value added growth sector of containers. Sea-Land, one of the world's largest container shipping companies, is considering moving out of the port when its contract finishes in 1990. The company is by far Rotterdam's biggest container client, moving around 400,000 boxes a year, about a quarter of the port's total 1.7m annual throughput.

Rotterdam's comparatively high port labour charges, the attractions of a new container terminal being built outside

Antwerp, and the possibility of additional financial incentives from the Belgian Government are not making life easy for Rotterdam.

A recent report on the general cargo sector found that Antwerp was already more competitive than Rotterdam in a number of vital areas. It charged less rent, invested more money and provided a more flexible labour market.

Holland's container business suffered a serious blow earlier this year, when financial difficulties forced United States Lines to close its Rotterdam operation, losing the port about 200,000 containers a year. A share of this business has now come back through other companies, but Rotterdam simply cannot afford to lose the Sea-Land contract. If it is to remain the world's premier container port, its position in the rest of the general cargo sector is of equal concern. Early this year, employment in the sector as a whole was losing 30m a year, and in an attempt to cut costs, they tried to make 350 workers redundant. The result was a series of lightning strikes spread over sev-

eral months, which forced 185 ships to go to other ports and lost Rotterdam 211,000 tonnes of seagoing cargo, 12,500 pallets of fruit, 7,300 containers, and 5,500 ro-ro units.

The total tonnage handled by Rotterdam in the first half of 1987 fell by 6 per cent to 12.5m tonnes compared with the same period in 1986 and a significant proportion of the decline was due to the strike.

Another area which is making life less than easy for Rotterdam is the heavy financial burden of dealing with pollution, mostly caused by other countries along the Rhine. Rotterdam was once one of the world's dirtiest ports, but widespread environmental concern in Holland has prompted it to adopt costly measures of storing the heavily polluted silt which is washed down the Rhine and then dredged up from the harbour at the river's mouth.

The Dutch have identified some 14 factories - 10 in West Germany, two in France, one in Switzerland and one in Holland itself - as the heaviest chemical, metal, and arsenic polluters. A 150m storage facility is due to be ready later this year, and should be sufficient to hold all Rotterdam's contaminated sludge until the year 2002. After that, Holland says it will no longer be prepared to bear the financial cost of other people's irresponsibility.

If Rotterdam cannot claim to be the cheapest port in the world, it has made much of its efficiency and modern facilities. However, in one key strategic area - the adoption of high technology for improving vessel traffic, freight and other information flows - it has been slow off the mark.

In many ways until recently we were an old-fashioned port. The main reason was that our operations are mostly run by private companies which were hesitant about the benefits of high-tech, worried about the risks of information security, and above

all extremely difficult to co-ordinate," says Mr J P Dijkshoorn, head of the port authority's external and commercial affairs department.

Slowly, this resistance is being overcome by a judicious mixture of government money, port authority initiative and heavy campaigning.

A new computerised traffic management system, known as VBS, became partly operational early this year. It should enable Rotterdam to increase the number of incoming and outgoing sea and inland water vessels, with a considerable improvement in efficiency. Of even greater potential significance, investigations, started as long ago as 1980, into a sophisticated electronic international transport information system, aimed at linking vessels, ship-owners, stevedores, agents, customs, banks and insurers, are now beginning to bear fruit.

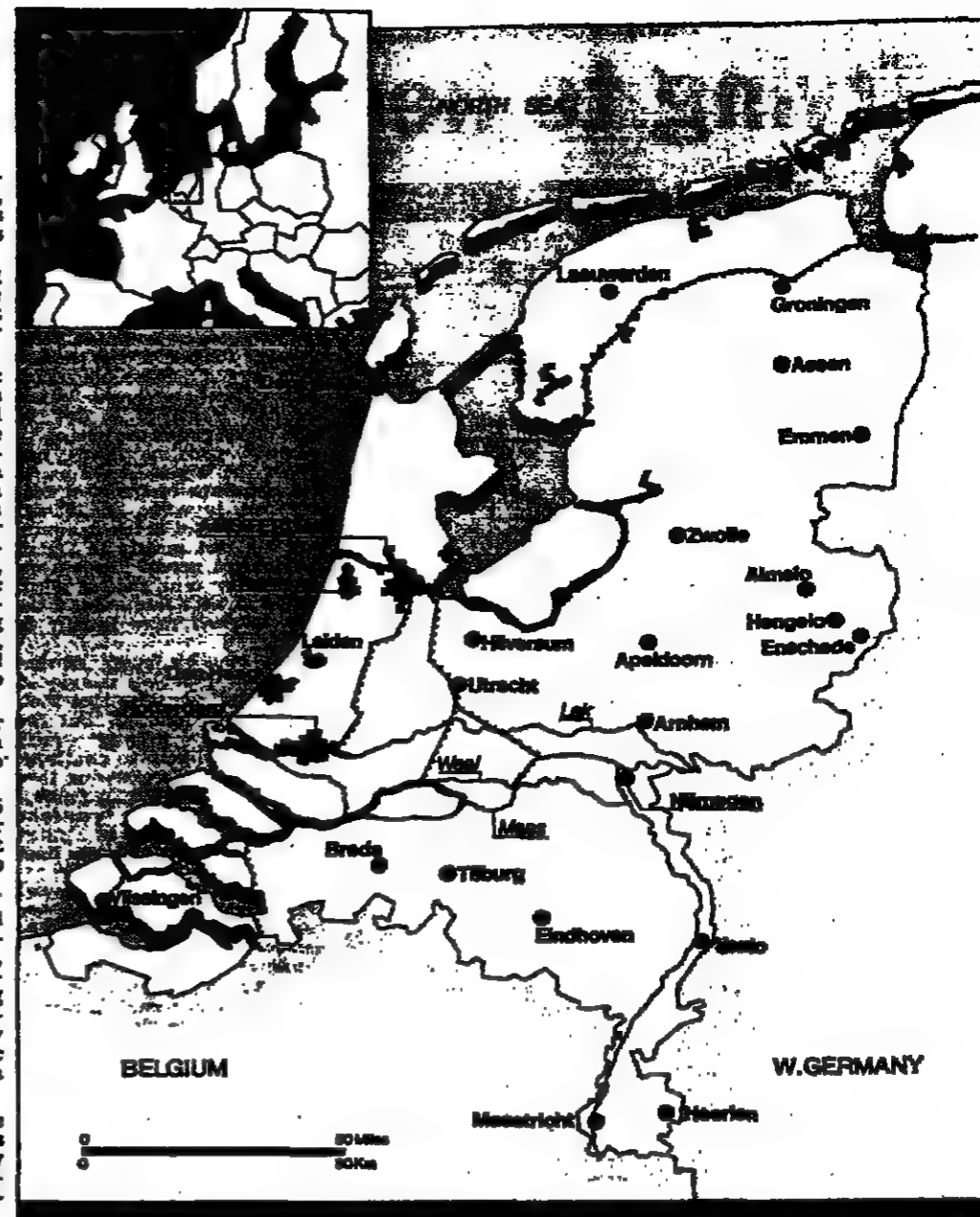
So far, 35 of the port's larger companies have signed up with Intis, the company formed to manage the system.

Intis aims to replace some 25 per cent of the port's 100m paper transactions by 1992, when it expects some 300 companies to be using its services.

Using internationally accepted standardised electronic documents for customer orders, freight shipments, customs clearance and bills of lading all along the transport chain, the company ultimately hopes to grow into a world market in electronic transport communication systems.

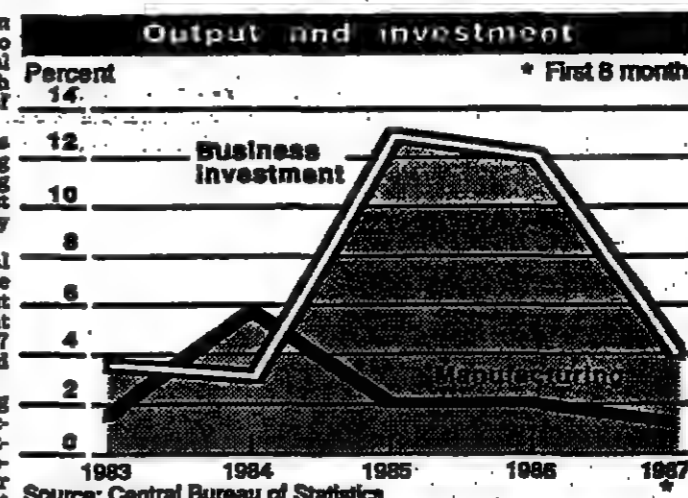
Not a few believe the future fate of Rotterdam, as the world's leading port, will be intimately tied up with the success or failure of this highly ambitious company.

Richard Cowper



## Manufacturing industry

## Output levels fall well below forecasts



Source: Central Bureau of Statistics

Mr Kees van der Kragt, president of Philips, the world's second largest electronics company and the biggest employer in the Netherlands, said Philips' exports to the US, which account for 20 per cent of the company's turnover, were already suffering and Philips expected the dollar to decline even further.

Mr Van der Kragt's remarks are hardly surprising. Though Philips has done well given the circumstances, the Dutch electronics sector in general has been one of the worst-hit by the guild's appreciation. According to the CBS in the first eight months of this year output declined by 0.1 per cent. At a time of tightening profit margins this cannot be good news.

The country's mighty food processing and drink industry has also been affected by this and other problems such as the EC quota, enforced decline in domestic milk production. The sector accounts for around 25 per cent of Holland's industrial turnover and is normally one of the most resilient and competitive in Dutch manufacturing. But according to the CBS it is not expected to show any growth at all this year.

Chemicals has been the one bright spot in an otherwise depressing picture. Sharply lower feedstock costs arising out of the dramatic decline of oil and gas prices helped to boost the sector's output by around 9 per cent in the first eight months of this year, but even here worries about the guild are showing through.

Also, the chemicals and fibre group, expected profits to be down this year and believes a stronger guild could dent them even further next year as US fibre manufacturers increase their competitive position.

Mr Van der Kragt outlines a potentially fearsome scenario: "If the dollar falls even further the European economy will be in for an awfully difficult time. Economic growth in Germany will decline to less than 1 per cent and that would be really bad for Europe," he says.

Richard Cowper

MANUFACTURING industry in Holland this year is on course to record perhaps its most dismal performance since the Dutch economy finally emerged out of recession in 1984.

Tough competition in overseas markets at a time of slowing world trade growth and a rising guild have proved the biggest hurdles to the country's heavily export-oriented manufacturers.

According to the Central Bureau of Statistics (CBS) the volume of manufacturing output grew by a lacklustre 1.2 per cent in the first eight months of 1987 compared with the same period last year.

Buoyant consumer spending and a sharp growth in construction is expected to push the outcome for overall industrial production up to around 1.5 per cent for the year as a whole, but even this is well below the most recent official Government forecasts.

As recently as August, the semi-government Central Planning Bureau, the organisation in charge of economic forecasting, was predicting a growth in industrial production of 3 per cent for 1987, an advance that now seems over-optimistic.

The main reason for the sharp decline in manufacturing growth is not hard to find. Well over half the sector's production is exported and the leading offender has been the change in exporters' terms of trade arising out of a sharply appreciating guild.

The high guild started creating problems in 1986 when it rose against the dollar by around 25 per cent. Manufacturers faced their toughest problems in the US and other countries linked to the dollar, but they also experienced currency difficulties in Europe where it rose about 5 per cent against the Ecu, because of its link with the strong D-mark.

Last year most manufacturers clawed their way out by adopting a policy of maintaining market share through cutting guild prices. Overall, manufacturers accepted an average price cut in guild terms of 9 per cent for their export products over the year. Needless to say, it was profit margins which had to give.

In 1987, however, Dutch industry has had much less fat to trim. By November the guild had appreciated against the dollar a further 14 per cent, while slowing world trade growth (down from 4 per cent in 1986 to an estimated 2.5 per cent this year) has compounded the problem.

Lower profit margins and a reduction in output growth are widely expected to show through in lower profits and - more worrying for the future - a dramatic slowdown in business investment.

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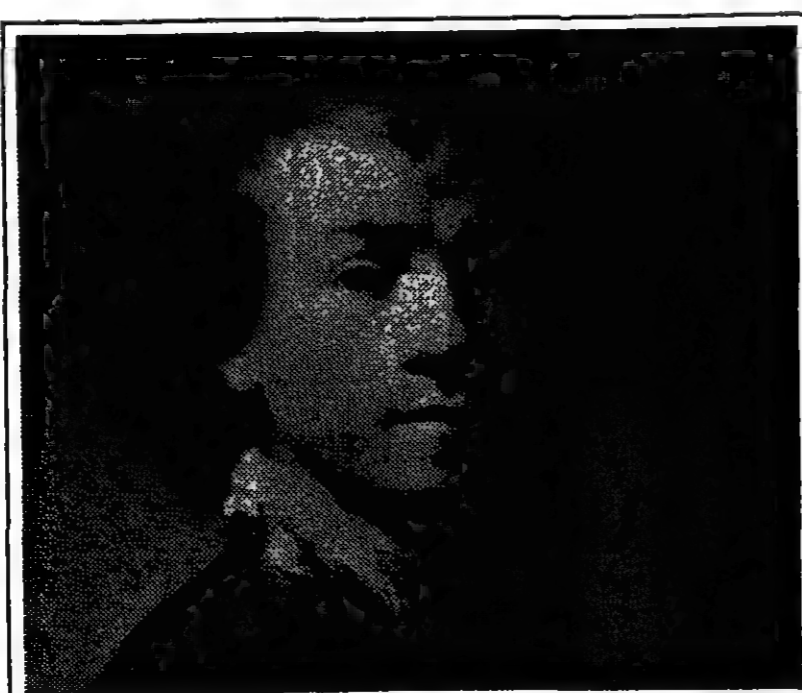
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## Political profile: Marjanne Sint, Labour Party leader

## Charting a new course

"SHIFTING PANELS" is the ethereal title of the Dutch Labour Party's latest attempt to look critically at itself and its future. The subtitle of "continuity and renewal in social democracy" hints of the search for a modern identity that preserves the fundamental goal of equality for all while allowing for the greater egalism in today's society.

Presiding over the freshest effort at introspection, following a stream of similar reports in recent years, is Mrs Marjanne Sint, chairman of the Party for Labour (PvdA).

A newcomer to politics, Mrs Sint, now 38, took over the reins of the divided party only seven months ago, after work-

ing as a publisher and economist. Her thankless job has been to heal the wounds of a party rent asunder by the failure to oust the Centre-Right Government in last year's General Elections and the retirement of Mr Joop den Uyl, the patriarchal figure who had dominated socialist thinking for 20 years.

Mr den Uyl was succeeded last year as Parliamentary leader by Mr Wim Kok, also a novice to politics, who has disappointed many in his efforts to create a serious opposition policy.

With two neophytes at the helm of the party and another fundamental review of party identity underway the labour-

ies are understandably worried about being battle ready for the next general elections in 1990.

By that time they will have been on the opposition benches for eight long years and more than ready for a shot at governing. Mrs Sint, a tall and slender woman, is confident that "shifting panels" plus two other forthcoming studies will mould the PvdA into a credible party.

The new Socialists stand for "progress, renewal and fair sharing," she declares. "In the past sharing out was the most important element but now progress and renewal demand more attention."

But not everyone is convinced the party is on the right track.

Critics snort that Mrs Sint is a yuppie and deride the "shifting panels" report as a softening of party line favoured only by a select cabal. Historical values of equality, solidarity and sharing out wealth are being trampled under the feet of "stereotypes," a pejorative term referring to strivers who are out to make a career.

After receiving an economics degree from the University of Amsterdam, she went on to work first in the Ministry of Economic Affairs and then in Health, Social Affairs and Culture. From the Civil Service she moved into publishing, working

Continued on next page

## NETHERLANDS 5

Big economic impact of falling oil and gas prices

## Many losers, but some winners

THE DRAMATIC fall in oil and gas prices has had a major impact on the Netherlands' economy over the last two years, producing a number of very big losers and not a few winners.

For the losers, the process of adjusting to an oil-gas link-price over 50 per cent lower than in the first quarter of 1986, has proved extremely painful.

The short-term outlook, too, clouded by a guillotine which is appreciating rapidly against the dollar, is less than rosy. But those worst affected - the Dutch Government and private sector gas producers - claim they can see some light at the end of the tunnel.

For much of the last 15 years, Holland reaped the benefits of high energy prices. After Norway, the Netherlands has been Western Europe's largest producer and exporter of gas and, at the peak in 1985, was producing 81bn cubic metres of gas, of which 46 per cent was exported.

In the 1970s and the early 1980s, the income from this seemingly ever-more-expensive commodity accounted for a sizeable proportion of government revenues, a hefty part of total exports and, in addition, spurred the development of a host of intensive-energy industries ranging from glass-house horticulture to fertilisers and chemicals.

But now the windfall is over. Dutch gas sales are tied to long-term contracts and so the fall in prices has had only a minor effect on overall production and export volumes.

Last year, Holland produced 74bn cubic metres of gas, a mere 8 per cent drop compared with 1985, and of this, just over 30bn cubic metres were exported. However, government revenues, gas exports and oil company profits have all fallen dramatically. A number of oil and gas development projects have been shelved and the supply industry has been severely mauled.

According to the Economics Ministry, net government revenues from gas on a cash basis have fallen by about 54 per cent in two years from Fls 28bn in 1985 to an expected Fls 10.5bn this year.

On a transaction basis which gives an indication of short-term future trends the fall is even sharper from Fls 24.4bn in 1985 to a projected Fls 8.7bn this year, a decline of 65 per cent.

The further sharp fall in the dollar after the stock market crash in the autumn is likely to push government cash revenues from gas down even more next

year. On the basis of Fls 2 to the dollar, revenues for 1988 were forecast at Fls 8.5bn, but with the dollar already at Fls 1.90 in November and the outlook, if anything for a further guillotine appreciation, the Ministry of Economics expects it to decline to about Fls 8.3bn. Some analysts predict the outcome may be nearer Fls 8bn.

Equally badly dented has been the country's gas exports. In 1985, these peaked at Fls 15.3bn and last year they fell to Fls 9.3bn. In 1987, the outcome is expected to be Fls 5.1bn, a 67 per cent decline in just two years.

Almost as severely hit have been the country's gas operators, which include most of the world's top oil companies. Western Europe's largest producer and exporter of gas, the private sector industry's combined operating profits from gas have fallen, from an estimated Fls 6bn in 1985 to a projected Fls 2.5bn this year.

Preliminary projections for 1988 suggest a further fall to around Fls 2bn, down about 65 per cent in three years.

In a battle to adjust to new realities, the producing companies have severely cut back operating and development costs by an average of around 25 per cent, trimming staff levels and postponing major development projects. The number of onshore and offshore development wells drilled fell from a record 69 in 1985 to 50 last year. Just 28 are expected to be drilled this year.

Of the major oil and gas companies, the biggest loser has undoubtedly been NAM (Nederlandse Aardolie Maatschappij), a joint venture between Shell and Exxon, which accounts for over 50 per cent of total Dutch gas production.

The company reacted quickly to the plunge in prices by postponing one of the industry's largest developments, the so-called F3 project to pipe oil and gas from the northern part of the Dutch continental shelf.

At a cost of Fls 2.2bn, the project was designed to tap a field believed to have reserves of 12bn cubic metres of gas and about 6m cubic metres of oil.

NAM has postponed a number of other smaller development projects, but claims it has not sacked any of its 3,500 workers.

The big companies with large reserves are weathering the storm, but dozens of smaller ones - namely in the supply industry - are reeling from the sharp reduction in expenditures. Not a few

## Production and Exploration

Oil and gas industry	1987*	1986	1985	1984	1983
1. Gas Output (bn cubic metres)	74.0	74.0	80.5	75.2	74.7
2. Crude Output (bn cubic metres)	4.3	4.6	3.7	3.1	2.8
3. Exploration Wells	35	44	70	83	66
4. Development Wells	28	50	69	58	23
5. Total Wells Drilled	63	94	139	141	89

\*Industry Projections  
Includes Appraisal Wells  
Source: Dutch Economics Ministry

For much of the last 15 years, Holland reaped the benefits of high energy prices, but now the windfall is over. Government revenues from gas sales on a cash basis have fallen by an estimated 54 percent in two years.

are in financial difficulties and most have sharply cut back their workforces in a bid to stay afloat.

The fall in gas prices however has not all been gloom. Consumers, both domestic and industrial have reaped enormous short-term benefits, and in the longer term even the Government and

the oil companies may come to see the brighter side of what for the moment seems a highly depressing picture.

Because price changes are quickly passed on down the chain in the market-oriented Dutch gas sector domestic consumers have seen their bills by about half. Almost every house

hold in Holland uses gas for heating, cooking and hot water, and in 1987 found themselves about Fls 6bn better off than in 1985. This goes some way to explaining the buoyancy in consumer spending so vital to the economy at a time of declining government spending and difficulties in overseas markets. Industrial consumers saved even more. Their energy bill in 1987 is expected to be around Fls 29bn, down about Fls 12bn from 1985.

At a time when the higher guillotine has been threatening the competitiveness in export markets this has given them much needed extra leeway to maintain market share by cutting guillotine prices and still maintaining profit margins.

The Ministry for Economics has calculated that after taking into account lower energy costs by foreign competitors they still retained an Fls 2bn comparative advantage in this period.

The fall in revenues has made the Government's task of meeting its deficit reduction target difficult to achieve, but it has provided The Hague with a cast-iron public relations case for the much-needed reduction of the role of the Government in the Dutch economy, a policy which had met considerable opposition from those who refused to counter a re-assessment of the country's mighty

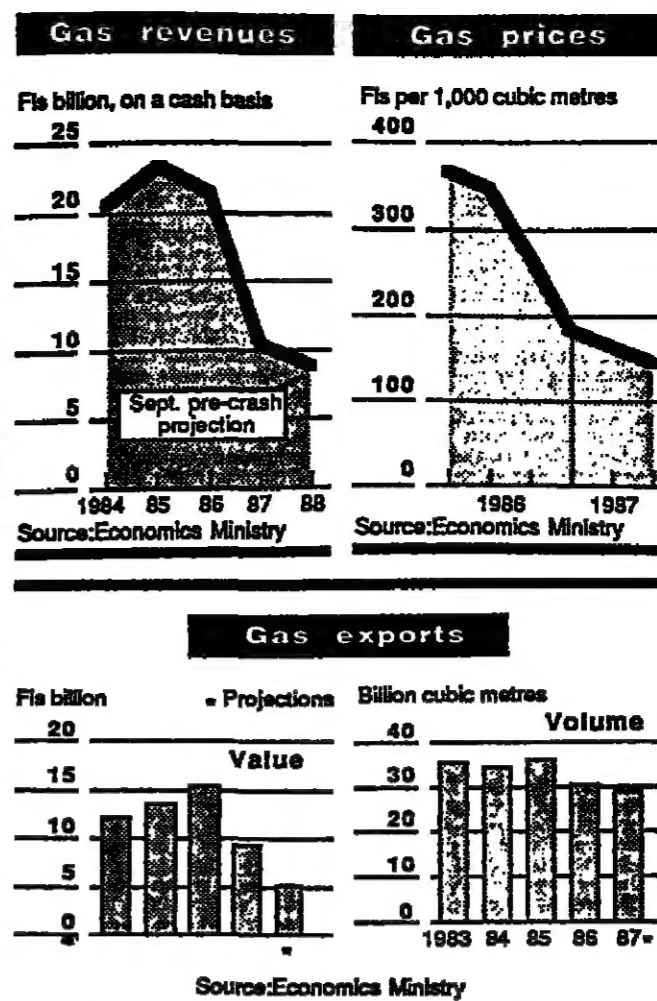
welfare state. It has also had the benefit of shifting the Dutch economy away from what many saw as the "distorting" dependence on gas income.

The production companies, too, have discovered a brighter side. Before the crash in prices they assumed that it was not possible to produce North Sea oil at much less than US\$20 a barrel. But now they are looking forward to the possibility of doing it for \$10. Some optimistic companies believe they are close to cutting gas production costs by 25 per cent.

Nor has exploration suffered as much as some feared. A combination of lower rig prices and the judicious offer by the Government of a vast acreage of new blocks in 1986, has tempered the decline. Early this year, 16 consortia were awarded 28 blocks in the sixth round and about 35 exploration and appraisal wells are expected to be drilled in 1987, down from 44 in 1986.

The oil and gas-producing sector, like the Government, is now leaner, fitter and more aggressive. When the anticipated upturn comes in the 1990s, both may look back with a measure of considerable satisfaction to the time when prices fell by half.

Richard Cowper



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Mrs Marijanne Sijm: taking over the reins of the divided Labour Party which was rent asunder after last year's General Election.

## New Labour leader

Continued from facing page  
most recently as the head of the business publications division of VNU, the Netherlands' largest publishing company.

Mrs Sijm could hardly contrast more with her predecessor, Mr Max van den Berg, a strident ideologue, considered arrogant by many and who at time dictated policy even to the eminence grise, Mr den Uyl.

Mr van den Berg was largely blamed for the party's obstinate positions, especially in nuclear issues, which offered no bargaining room. Mrs Sijm is earnest and pragmatic, explaining that Labour aims to govern next time around and therefore reasonable policies are necessary to convince other parties of its intentions. She noted that the Socialists recently introduced into Parliament a Bill on profit sharing for workers and found warm support from the Liberals, the Right-of-Centre party, usually in direct opposition.

"Our identity is a combination of both ideology and pragmatism," she explained. "You need to have both." Two more self-analytical reports are still on the way, one outlining strategies for obtaining party goals and the other on organisation.

The strategy report, being prepared under Mr Kok, the Party Whip, has been delayed until the spring of 1988 because it was deemed lacking, Mrs Sijm said politely.

She steadfastly refuses to criticise Mr Kok for his report or for his role in Parliament. "I don't share the critique that he has failed to present an effective opposition policy. He has done an excellent job," says Mrs Sijm.

Mrs Sijm and Mr Kok nevertheless seem to be headed on a collision course in the debate over the party's new identity.

While she endorses the "guided flexibility," recommended in the recent party report, he views it as undermining the position of workers and the jobs.

Ironically, when Mr Kok took over as Party Whip from Mr den Uyl, he was considered the voice of reason, having earned a high reputation as head of the country's largest union federation.

Now, a year and a half later, Mr Kok is looking like the ideologue next to the pragmatist.

Laura Rann

## NETHERLANDS 6

The agriculture industry believes it will benefit from a CAP that more closely reflects market realities

## Why Dutch farmers are more bullish than most

"IF THE world wants square tomatoes, that is what we will provide," says Mr. Rudolf De Korte, Holland's normally less than ostentatious Economics Minister.

The remark neatly reflects continuing Dutch optimism about the future as a time when farmers in the rest of the EC are looking ahead with trepidation as Brussels wrestles to make some economic sense out of the Community's runaway Common Agricultural Policy.

The reasons why most Dutch farmers are more bullish than their EC counterparts are not hard to discover. Unable to rely on a small domestic market of less than 15m, the country's 130,000 farmers have become green-fingered traders whose constant search for fresh markets and products has kept them on their economic feet and turned Holland into the world's third largest farm exporter after the US and France.

Served by the best transport and distribution network in Europe and tied to a large and highly efficient food processing industry, about 60% of Dutch farm output is exported either directly (flowers, plants, meat, milk and vegetables) or indirectly (cheese, butter, milk powder and a host of other packaged products).

Farmers and horticulturalists, food processors and the transport industry alike believe they will big winners from an EC farm regime that more closely reflects market realities.

The Hague, for the most part, concurs. There is little doubt

that the continuation of a strong agricultural sector is vital for the future health of the Dutch economy. Farm exports account for around a quarter of the country's overseas sales and year after year the industry turns in a large agricultural trade surplus. Without it an overall trade deficit would be a real possibility.

Mr. Gerrit Braks, the Dutch agriculture minister, is putting his mouth where his money is and calling on Brussels to move faster along the road of CAP reform. He has advocated deeper cuts in cereals and other prices than the Commission has so far accepted and has been quick to back non-compulsory schemes to encourage inefficient farmers to switch out of agricultural production.

Unlike many agricultural ministers in EC countries he is in the fortunate position of not having a farm lobby that has grown overly fat on the back of an EC farm policy currently costing the community some Ecu27bn (\$18.3bn) a year.

Few if any Dutch farmers produce for intervention. Less than 40 per cent of the country's agriculture sector comes under CAP controls and the disciplines of high productivity, excellent marketing, costly research and quick distribution necessary to win and keep foreign market share should generally stand Holland in good stead as the Community slowly unravels its agricultural monster.

The two potential weak spots for Holland in a freer EC system are in the cereals and dairy sectors. The country's grain farmers



The famous Cheese Market at Alkmaar. Dairy farm produce and processing is the largest sector of the Dutch agricultural industry, accounting for more than a third of total output.

are already in serious difficulties and few believe they will easily survive the shake-out that eventually has to come. However, Holland's arable farmers account for just 8% of the country's total farm output and the Hague clearly believes this is a small sacrifice to make compared to the potential gains elsewhere.

More important for Holland however is the country's dairy industry. Dairy farm output is the largest sector in Dutch agriculture, accounting for about 35%

of total output. Already hit by quotas, milk production has shrunk about 18% from the 1983 reference year, while downstream processors stand to lose windfall gains from EC policies. In 1986, Dutch producers of cheese, butter and milk powder received about Fls 1.7bn in EC export subsidies.

Both dairy farmers and processors are confident that they would be winners and not losers from a freer more competitive EC dairy regime. Because they

produce at far below the average unit cost of other Community farmers Dutch milk producers maintain they would sharply expand their EC market share.

Producers make similar claims adding that their export orientation, marketing techniques and product innovation give them an unrivalled advantage in this sector.

It is difficult to quarrel with such arguments. The only cautionary remarks to make are that a number of smaller less efficient Dutch dairy farmers may go out of business while lower prices in the EC could potentially more than offset the gains made in market share if inter-EC protectionist policies are truly unrivalled.

In the unlikely event that one day the EC accepts the ultimate logic of a free market philosophy and opens its borders to world trade from the rest of the world the Dutch dairy sector would find it difficult to compete with countries like New Zealand. That is not a scenario that worries the well-informed Dutch farm sector.

Meanwhile, the country's agriculture industry continues to outline its rivals.

Last year this tiny nation with just 2m hectares of usable land exported some 5bn cut flowers - more than 60% of the world market.

The Netherlands also claims to be the world's largest exporter of dairy products, poultry and plants.

Often more concerned with the price of oil or the latest gudder-clubber by the name than the weather Dutch horticultural-

## Agricultural Trade

	1987	1986	1985	1984	1983
Exports (Fls. bn.)	478	487	515	487	415
% of total exports	28%	25%	27%	26%	24%
Imports (Fls. bn.)	200	211	258	245	237
% of total imports	17%	17%	17%	17%	17%
Trade balance (Fls. bn.)	278	276	257	242	178
Export volume (%)	+4%	+3%	+4.5%	+5%	-
Export prices (%)	-9%	-8%	-0.7%	+8%	-

Projection based on first 8 months

Source: Dutch Ministry of Agriculture

## Agricultural Output

	1987	1986	1985	1984	1983
1. Dairy and Beef	220	225	227	229	133
2. Horticulture	56	55	52	57	58
3. Piglet	27	30	28	36	31
4. Other	32	28	31	33	30
TOTAL	335	339	338	355	252

Excluding tobacco

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## NETHERLANDS 7

## Foreign policy and defence

## Stronger European identity

ONE OF the cleverest gambles in Dutch foreign policy in recent years will have paid off if the United States and Soviet Union sign a treaty abolishing medium and short-range nuclear missiles soon.

The Netherlands probably will not have to deploy any cruise missiles as four other western European allies already have done under Nato's 1979 double track decision to station medium-range missiles while continuing to negotiate on disarmament.

The US-Soviet treaty expected to be signed in two weeks would ban intermediate-range nuclear force (INF) missiles before the 1988 deadline for the 48 nuclear missiles to be mounted on Dutch soil.

Cabinet ministers in the Hague are confident that the US Senate will ratify the accord before the cruise missiles are to be sited at the Woensdrecht air base near the Belgian border. The long-delayed missiles, which were originally to have been deployed in 1985, are supposed to be in place by September 1988.

If the US Senate drags its feet longer than next summer, then all the European allies are likely to be upset. Mr Hans van den Broek, the Netherlands' Foreign Minister, indicated that they had agreed on a timetable for dismantling the cruise and Pershing 2 missiles installed so far.

"We have no reason to complain," acknowledged Mr van den Broek, an intelligent and articulate man who is in his second term as Foreign Minister and has been mentioned as a future prime minister. "The schemes have been drawn up and all the allies agree that when dismantling we should try to avoid deploying at the same time."

What other Nato partners may not realise is that the Dutch are already talking about possibly scrapping two nuclear weapons that would go if cruise missiles were deployed. The centre-right Government agreed in 1985 to take the controversial missiles but said that in exchange it would halt the nuclear tasks of the Orion reconnaissance aircraft and the F-16 fighter.

Mr Wim van Eekelen, Defence Minister of the Netherlands, admits that efforts to halve the number of nuclear duties to two from four could shock allies.

"Nato assumes that we will continue our current nuclear tasks," notes Mr van Eekelen, a veteran European Community diplomat. "If not, there is a bit of a risk that the Netherlands will be seen as once again dragging its feet."

The Christian Democrats, the senior partners in the governing coalition, are spearheading the drive to get rid of the Orion's nuclear depth charges and the F-16's nuclear bombs.

Informed sources say, however, that the Christian Democrats are adamant only about the Orion and might keep the F-16. It was only the leftist rump faction in the Christian Democrats who joined with the opposition Labour Party to forestall nuclear missiles for so long.

Mr van Eekelen, an avowed Atlantist and member of the right-of-centre Liberal Party, favours continuation of all four nuclear roles, including the

Bonn's desire to focus the next round of disarmament on very short-range nuclear missiles could clash with other allies' desire to concentrate on strategic, conventional and chemical weapons.

Some of these tensions could perhaps be eased in the West European Union (WEU), the group of seven countries attempting to forge a more coherent European role in defence and security within Nato. The members are the Netherlands, Belgium, Luxembourg, Britain, France, West Germany and Italy.

Until several years ago WEU was a moribund group, dating from 1952, but in 1984 it began a revival that has quickened with the current Dutch chairmanship, since July 1. The Hague assumed the one-year chairmanship amid growing tensions in the Gulf, where Iran and Iraq continued to inflict their war on merchant shipping and the biggest US naval build-up since the Vietnam war. A series of WEU meetings involving high civil servants was called with the aim of drafting a political position on the Gulf that could lead to a co-ordinated naval force.

**"There is a bit of a risk that the Netherlands will be seen as once again dragging its feet," says the Defence Minister, Wim van Eekelen.**

8-inch Howitzer and Lance missile system. He notes that the F-16 will become even more important after the disappearance of all medium and short-range missiles because the fighter will be the nuclear weapon able to penetrate farthest into Warsaw Pact territory.

Most European allies are keener than ever to maintain tactical nuclear weapons after the ban on INF missiles and a sign that the Dutch are shrinking from such a duty is unlikely to go down well. They will have a chance to convey their feelings next week when Nato's Defence Planning Committee meets and European members hold a caucus on the eve of the gathering.

After these meetings and the Washington summit meeting on INF, Mr van den Broek and Mr van Eekelen will draft an official position on cruise missiles and other nuclear tasks. A lively debate in the Tweede Kamer (parliament) can be expected on December 17-18.

If the Cabinet sticks to the policy already outlined on nuclear armaments, then it will have to insist on keeping the four battle-field nuclear weapons. The Hague, like most other European allies, argues that no more nuclear weapons should be removed from Western Europe until more cuts are made in strategic arms, conventional forces and chemical weapons.

But even this fairly wide agreement is jeopardised by West Germany's internal split on short-range nuclear missiles, with the Foreign Minister eager to scrap them and the Defence Minister wanting to keep them. Mr van den Broek concedes that

from 1952, but in 1984 it began a revival that has quickened with the current Dutch chairmanship, since July 1. The Hague assumed the one-year chairmanship amid growing tensions in the Gulf, where Iran and Iraq continued to inflict their war on merchant shipping and the biggest US naval build-up since the Vietnam war. A series of WEU meetings involving high civil servants was called with the aim of drafting a political position on the Gulf that could lead to a co-ordinated naval force.

In the end, only the Netherlands and Belgium agreed on a joint command for a minuscule task force now in the Gulf of Oman at the end of the Persian/Arabian Gulf. Britain has promised air and sea protection for the five-ship Dutch-Belgian fleet.

Mr van den Broek, a tall and dignified man, is nevertheless gratified that the WEU formally recognised the Gulf as being in its "vital interest." In Nato parlance the Gulf is "out of area," meaning outside Nato's traditional theatre of the North Atlantic, North Sea and Mediterranean.

The "vital interest" declaration followed harsh criticism from Washington that European allies were ignoring their responsibilities to help ensure freedom of navigation in international waters of the Gulf, especially oil shipments bound for Europe. Mr van den Broek, also an Atlantist but less avowed, was stung by the criticism.

"We have given a political and military impulse to an out of area issue," he asserted. "I feel that WEU has been instrumental

in responding to the Gulf situation."

The terse and innocuous WEU statement could, nevertheless, be viewed as a landmark decision for the 35-year-old group and a great achievement for a small country that does not often get to call the shots. But with typical Dutch self-effacement Mr van den Broek says: "We never take credit. We felt responsibility when taking over as president."

Mr van Eekelen, an amiable man with a distinguished profile, has proposed that the WEU partners rotate mine-clearing responsibilities in the Gulf, but initial responses have lacked enthusiasm.

Another concrete step in the evolution of WEU under the Dutch is a new authority designated to the chairman to call a meeting of newly-designated "contact persons" in each capital. Emergency meetings have been rare in the past because of the rusty procedures for summoning members.

Under the Hague's diligent chairmanship the WEU last month finished drawing up a "platform" of principles outlining European security interests. The platform is seen as fostering French integration in allied defences.

Many Europeans hope that France's force de frappe nuclear force will ultimately be integrated into the Nato framework. But virtually no one believes that will happen soon or that a "Eurobrigade" will grow out of recent Franco-German military manoeuvres.

Looking across the Atlantic one finds another area that concerns the Netherlands. Surinam, the former Dutch colony on the north-eastern coast of South America is holding general elections on Wednesday for the first time since military leader Desi Bouterse seized power seven years ago.

If the elections are held fairly and further the democratic process, begun with the approval of a new constitution last month, then valuable Dutch foreign aid might be resumed. The Hague has promised to start up payments again on Fl 3.5bn in aid, which was halted in 1982 due to the murder of 15 opposition leaders. If democracy is restored.

If objectively democratic institutions are put in place and there is sufficient guarantee for them to rule, then the Netherlands is only too eager to resume talks on aid, Mr van den Broek says.

IN A picturesque setting of woods, lakes and canals in the far south, stands a symbol of the darker side of Holland's past and present.

A former Nazi concentration camp, complete with crematorium, perimeter fences, ditches and pre-fabricated barracks, still provides a home for a group of South Moluccan refugees who fled to Holland over 35 years ago.

It comes as no surprise that The Hague wishes to demolish this grim reminder of two historic events about which the Dutch feel considerable guilt: the failure to prevent the extermination of thousands of local Jews during the German occupation and the rash promise to South Moluccans made after the Second World War that they would be given their own independent state when the rest of Indonesia finally won its freedom.

What is surprising is that a country that has long prided itself on its tolerance and one of the most liberal and comprehensive welfare states in the world should have allowed the Moluccans to live in such macabre surroundings for so many years.

Survivors from the war years find no difficulty in recognising most of the landmarks of the place of their former incarceration. Older Moluccan inhabitants of the camp, now called Lunetten, mostly soldiers of KNIL - the former Dutch colonial army in Indonesia - still talk of the ghosts they confronted when they arrived in 1951.

"I saw a helmeted soldier, but his face was not visible. Then I heard a woman screaming in pain," recalls one man, now retired.

Today, he uses some of his time to make kites to gain a little extra income. If the camp itself was not sufficiently grim, the Moluccans are also humiliated by a heavily guarded prison on one side and by a Dutch army camp on the other. In spite of all this, demolishing the camp is not proving an easy task. For sentimental

## Moluccans' plight raises bitter memories

financial and political reasons most of Lunetten's inhabitants are refusing to budge.

"According to the Dutch, it is not fit to live in, but they do not realise we have never known anywhere else - yes, it does not fit into Dutch norms."

But that is what they do very well - dictate what others must do and how others must act, says Mr Parthala, a 39-year-old member of the camp committee.

It is a strange twist of fate that a people who for decades berated the Dutch for their "broken promises" refused to accept Holland as their home and lived only for the day that they could return to an independent South Molucca, now view this former concentration camp as their true home.

A minority of the inhabitants are attracted by the new community area which the Dutch have built for them, not far

**Some 350 Moluccans are living in a former Nazi concentration camp, little changed since 1945**

away, but they claim the move is not practicable.

At Lunetten, they have to pay just Fls 50 a month in rent, but the new houses will cost Fls 500 or more, and they will also lose the benefits of free services such as water.

Most have reacted angrily to the court orders issued to every family saying they must be out by October 1989, and not a few claim strong political reasons for staying in Lunetten.

The location is the last of the Moluccan camps in Holland and some feel that when it is dismantled, the heart of Moluccan independence will have lost its last spiritual centre.

"This is our home. We see it as a monument to the struggle for national self-determination of all Moluccans now living in Holland, and also as a living reminder to The Hague of its betrayal of their promises to us."

If they want to get me out, let them send in the tanks like they did at the last Moluccan camp, at Vassan," declares an angry 35-year-old Moluccan who declines to be named.

the Indonesian state.

Each year, groups of Dutch human rights activists gather at the aid meeting of the Inter-Government Group on Indonesia (IGGI) at The Hague to protest

against what they claim has been Jakarta's failure to fulfil its commitments under the UN Charter on Human Rights.

Each year, too, the Dutch Government feels compelled, under pressure from Parliament, to raise a variety of human rights issues with the Indonesian Government.

Few believe these protests make much of an impact on Jakarta, but there is little doubt they have made it more difficult for The Hague to evolve a more normal and constructive relationship with its former colony, unhampered by reminders of a painful political past.

What Indonesians regard as interference in their domestic affairs has added to the bitter circumstances under which Jakarta won its independence in 1948.

The Dutch colonialists spent 350 years in Indonesia, but when, after the Second World War, their time was clearly up, they refused to let 89 and engaged in several years of fighting in a forlorn attempt to cling on to their former colony.

Many of Indonesia's post-war leaders played key roles in the struggle and despite the Western orientation and pragmatic policies of President Suharto's government the fight against the Dutch still arouses more passion than perhaps any other issue in modern Indonesian history.

"The Dutch know us well, as we do them, but somehow after all this time we still do not like them," says an Indonesian journalist who has worked in Holland for several years.

A Dutch Cabinet minister confirmed the problem. The past has "cast a shadow, a permanent burden on relations between the Netherlands and Indonesia," says Mr Yvonne van Rooy, the Netherlands Minister for Trade.

With such high sensitivities on both sides the post-war relationship has been one of missed opportunities. Trade between the two countries is running at little over Fls 1bn a year, and Dutch investment in Indonesia is a mere \$800m.

With the decline of political radicalism in Holland and a less aggressive stance on human rights, and the rise of a new generation of leaders in Jakarta many hope the next decade will see the emergence of a more constructive and mutually beneficial relationship.

Richard Cowper

## The best harvest in years.

Farm machinery has many enemies. Mud and sand wage an endless battle with axles and bearings. Stones, screws and other odds and ends pit their strength against the knives. But this is a war the machines can't afford to lose.

For many years engineers at enterprising machine factories have been searching for materials which would make moving parts nearly invincible. DSM, one of Europe's leading chemical concerns, has helped them considerably in their quest.

DSM's research department, with its 1500-odd specialists, developed a new synthetic. Strong as steel. Wear-resistant to baffle any foe. And cunning enough to avoid metal objects. A separate magnetic part keeps them far away from the cutting edges.

That's just one example of how DSM finds solutions for agriculture. And the automobile, paint, household equipment, pharmaceutical, fertilizer and fibre industries reap the benefits of our research too.

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If we don't have a solution, we find one.

## NETHERLANDS 8

## Tough decisions ahead

Continued from page 1

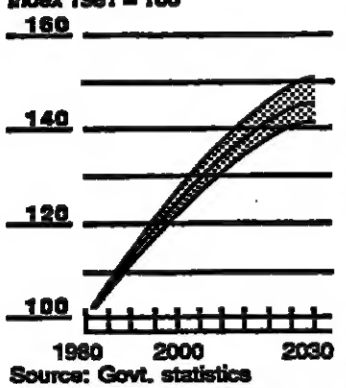
The Labour Party, the largest opposition party, is discussing a "leftist" austerity programme and "guided flexibility" in labour union practices. Groups in society such as workers' councils and consumer advocates should be mobilised to take the burden off an overtaxed government, it is suggested.

The consensus of opinion is that individuals must take more responsibility for ensuring a decent standard of living. Less dependence on government not only would decrease state spending but would allow unbearably high taxes and welfare premiums to come down.

Some economists argue that growth would accelerate if taxes and premiums fell because the supply side of the economy would be stimulated. The Dutch are focusing on the benefits of more moderate rises in wages, which are among the world's highest. Workers must have higher wages to cover hefty taxes and premiums so that they are still left with reasonable take-home pay.

## Social security

Expenditure forecasts for low, medium and high scenarios  
Index 1981 = 100



Source: Govt. statistics



Living standards are provoking intense debate in the Netherlands. Above: shoppers through the popular Grote Marktstraat shopping area in The Hague.

But unit wage costs will be of crucial importance next year when the strong guilder eases into exports. Even Mr H. Onno Ruding, the Finance Minister known for his conservative fiscal policies, has boarded the bandwagon of lower taxes.

He clearly wants Dutch exports to remain internationally competitive and thus has dropped his earlier opposition to lower taxes, which were secondary to deficit cutting.

While the dilemma of welfare and growth is commanding serious attention, the Dutch are certainly not despairing. Government leaders and market regulators are talking down any prospect of a recession and emphasising the Netherlands' competitive weapons of low inflation and flexibility.

Dr Geert Hofstede, professor of organisational anthropology and of international management at the University of Maastricht, puts it this way: "Problems are only there if you define them as such. Ten years ago it looked like Britain was in dire shape and I was struck then by the lack of concern. But look at Britain today."

Are the Dutch utterly complacent in the face of impending disaster? Or are they taking measured steps that will ultimately bring their desires into balance with their means? If a crisis strikes, they will react - quickly and efficiently. It was with that characteristic that they reclaimed land from the sea and also battled against floods when waters burst through the dykes. That is why, too, they embarked on a stringent austerity programme in 1982. The Dutch are shrewd and resilient. They enjoy a comfortable life and will not squander it through self-satisfaction. At heart, the Dutch are too Calvinistic, diligent and sober for that.



William III of Holland became King of England in 1688.

PROFESSOR FRED BACHRACH is a small and wiry Dutchman, an energetic Professor Emeritus of English who specialises in Anglo-Dutch cultural relations.

Several years ago he decided it would be a fine idea if Britain and the Netherlands celebrated 300 years of friendship, dating from the Glorious Revolution when William III of Holland and Princess Mary Stuart were crowned King and Queen of England.

Having convinced many other people - including royal patrons - of the wisdom of his idea, Prof Bachrach emerged as the "father" of the William and Mary Tercentenary, which will be commemorated in 1988 and 1989.

An ambitious series of artistic, cultural, academic, scientific and sporting events in both countries which will be officially launched when Britain's Queen Elizabeth and Holland's Queen Beatrix meet in Amsterdam next July.

The programme is designed to remind the two nations, straddling the English Channel, of their common heritage in constitutional monarchy, individual freedom, commerce, finance, science and the arts.

Sir John Margetson, the British Ambassador in The Hague, notes that "in celebrating William and Mary, we are celebrating the natural partnership that has existed between Britain and the Netherlands for a long time."

But every story has a darker side. What is known as the Bloodless Revolution of 1688 actually helped spill blood in Ireland for three centuries. The victory of Protestant William of Orange over Catholic James II at the Battle of the Boyne exacerbated a schism that has never healed.

Today, Ulster Unionists, clad in orange sashes, will march triumphantly through the streets every "glorious 12th" (of July) to proclaim victory at the River Boyne. Dutch and British organisers have put themselves out to tiptoe around King Billy as

Netherlands and Britain celebrate William and Mary Tercentenary

## Ambitious programme to mark 300 years of friendship

divider and concentrate, instead, on William as unifier, but the problem clearly will not go away.

No events are being held in Northern Ireland for fear of inciting the Unionists or the Irish Republican Army while hopes for a joint Ulster-Dutch production of a television documentary have been notably scaled back.

In a concerted effort to avoid controversy and focus, instead, on harmony, the governmental and cultural organisers of the 300th anniversary have created a programme primarily of art, music, science and sports. Both sides keenly hope that tourism and trade will benefit from spin-off effects.

When William III was invited to "come and save England" from James II's despotism and Catholicism, the country was dangerously divided by politics and religion. The choice seemed to be tyranny or civil war. The Dutch Stadholder's daring crossing of the English Channel and triumphant coronation with Mary II ended a tumultuous period of three Anglo-Dutch wars, fierce economic rivalry and Catholic upheaval in predominantly Protestant England.

The 33-year-old prince brought with him the Dutch expertise that had built the Republic of the seven provinces into a major world power during the golden 17th century.

Dutch institutions provided a model for the Bank of England, London Stock Exchange and Lloyd's company - three of the City's cornerstones. More Wil-

liam and Mary 2222 Holland's Staatsobligaties (government bonds) led to the creation of the gilt-edged securities market, which gave investors the comfort of borrowing from the state, rather than a fickle neighbour. Dutch capital that could not easily find a home in Holland - and much of it flowed into England. Today's huge Anglo-Dutch concerns such as Royal Dutch/Shell and Unilever can trace links, though not actual roots,

describe it. Royal Dutch/Shell, the oil giant, is the largest company in the world, while Unilever, the food and detergents conglomerate, is the sixth largest. Earlier this year, Mr Graham Day, head of the Rover Group, chose DAF of the Netherlands over Paccar of the US, as a white knight for Leyland Trucks, the struggling subsidiary of Rover. Mr Day defended his decision on financial grounds, but it was

English philosophers as John Locke, who had fled to the Netherlands after banishment from England.

It was during King William's reign that the Toleration Act was passed, providing a foundation for freedom of conscience. Constitutional monarchy, it can be said, was born of England's demand for democracy and William's beliefs in humanism, enlightenment and tolerance.

Religious tolerance and freedom of speech had flourished in Holland after the Dutch had ousted the tyrannical Spanish. The position of Stadholder, of which William was the fifth in line, had developed into a guarantor of religious and civil liberties during the century since William the Silent had united Holland against Philip II of Spain.

Although William III was proclaimed as the defender of the true faith throughout Europe and America, he was anything but a religious fanatic. His massive and costly crossing of the English Channel was financed by a Sephardic Jewish merchant. A French Huguenot expelled by Louis XIV, Daniel Marot, became the Court Decorator for William and Mary. William sought no revenge against Catholic James II, even after his father-in-law invaded Ireland with French support, with the hope of securing a base from which to drive his son-in-law and daughter from the throne.



Princess Mary Stuart became Queen of England.

After being defeated at the Battle of the Boyne he fled to France, unhindered by King William. Besides the financial, commercial and political influence wielded by the Dutch they also made their mark in science and the arts.

Anton van Leeuwenhoek, the Dutch pioneer in microscopy, and Christiaan Huygens, inventor of the pendulum chronometer, both became members of England's Royal Society for the Advancement of Sciences.

Polder experts, who had reclaimed vast tracts of land from the sea in Holland, showed the English how to do the same in East Anglia. In the arts, William and Mary created a distinctive style with the help of Daniel Marot, a designer who had trained under artists in the court of Louis XIV and reflected much of the splendour of the Sun King. "Tempered by the soberer tastes and the eclectic idiosyncrasies of Dutch aristocracy, Marot and other Huguenot and Dutch artists developed a baroque ornamentation on more bourgeois tastes."

Marot achieved his greatest success in the decorative patterns for gardens, but unfortunately failed to achieve the same harmony inside palaces where colours tend to clash and styles to repel painfully.

With the Dutch having inspired the William and Mary Tercentenary, it is not surprising that they have forged ahead more enthusiastically for the event. British organisers are so wary of the Irish problem that they are clearly lagging behind, hoping to ensure that none of the events planned is too controversial.

How the celebration eventually develops will be a test of how far it is possible to separate the arts and culture from religious and political issues.

LAURE BARR



A series of cultural, academic, scientific and sporting events in both countries will be officially launched next year by Queen Elizabeth and Queen Beatrix.

back to the cross-fertilisation of trade in the 17th century.

In the 18th century, shipping convoys were shared by English and Dutch vessels - and, by the 19th century, English technology used in the industrial revolution was imported by Holland. Many observers believe there is a "chemistry" in the British and Dutch characters that produces a sterling commercial formula. Dutch discipline and British flair is the way some observers

quite evident that public sentiment favoured a European solution - the Dutch being among the most acceptable - above an American one.

Shared political values also can be traced back to the late 17th century. The bill of rights drawn up by England's "Convention" Parliament, establishing its rights and limiting those of the crown, reflect many of William's own ideas. Dutch writings and institutions influenced such

## Major events

July 29 - Queen Elizabeth receives royal addresses at Westminster Hall.

Major events during July include: Commemoration of the Bill of Rights and the Glorious Revolution, Chesterfield; British Museum exhibition "William and Mary's supporters in 1688"; the William and Mary Exhibition at Hampton Court; an exhibition at the Royal Albert Memorial Museum in Exeter - "The Golden Age of Exeter - the city in the reign of

William and Mary."

Other events in August will include an orchestral performance at the BBC Proms.

From September 1 until December, "The Golden Age of the Dutch Golden Age" at the National Gallery, London; "The Golden Age of the Dutch Golden Age" in mid-September - Music Festival at Het Loo Palace; October 12 - January 15, 1988, Rembrandt Exhibition at the National Gallery; December 1, opening of the exhibition, "Courts and

Colonies: the William and Mary Style in Holland, England and America," Cooper-Hewitt Museum, New York.

Other events will include: The Royal Academy; exhibition of objects d'art, furniture, silverware, coins and prints at the Fitzwilliam Museum, Cambridge.

For more information, contact: The Ministry of Foreign Affairs, PO Box 20061 2500 EA, The Hague, The Netherlands.

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